FINANCIAL TIMES

World Business Newspaper

FRIDAY MAY 17 1996

Japanese property
Auctioning a bit of Ginza
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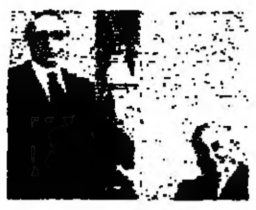

AMP
Patent protection for simple parts
Management, Page 15

MBOs
Private Equity Investment
Survey, separate section

TOMORROW'S **Weekend FT**
Death and morality on Everest

Possible Iraqi oil deal with UN sends crude prices down

Oil prices dropped on speculation that Iraq and the United Nations were close to agreement on limited sales of Iraqi oil, in what would be the first substantial relaxation of international sanctions since the Gulf war. The rumours of a possible deal unnerved the oil market, which fears that Iraq's re-entry will lead to a long-term increase in supply. Brent crude for July delivery fell 60 cents in London to close at $18.90 a barrel. Page 20 and Lex; Commodities, Page 29

UK move on Ulster talks: The Irish government welcomed an apparent softening of the British government's attitude towards arms decommissioning in Northern Ireland. UK prime minister John Major said the issue need not delay talks. Page 20

PepsiCo buys Star Wars rights: US food and drinks group PepsiCo has acquired exclusive promotional rights to the *Star Wars* film series in a deal which could be worth up to $2bn in advertising investment and merchandise sales. Page 21

Croatia seeks debt plan approval: Croatia is seeking the approval of up to 350 foreign banks and financial institutions to take on 29.5 per cent of the foreign commercial bank debt of former Yugoslavia. Page 2

Hewlett-Packard's share price fell sharply after the US computer and electronics group reported quarterly earnings of $723m, 25 per cent up on last year but lower than analysts had expected. Page 21

Dole heads to Chicago: US Republican hopeful Bob Dole took his presidential campaign out of Washington and into Chicago, a day after announcing he would resign from Congress to concentrate on his challenge to Bill Clinton. Page 4; Editorial Comment, Page 19

Ex-Bosnian PM plans new government: Former Bosnian Serb prime minister Rajko Kasagic, sacked by President Radovan Karadzic on Wednesday, is planning to form a new government. Page 2; Don't blame the Europeans, Page 18

Italy's Prodi to name ministers: Romano Prodi is expected to appoint ministers at the weekend, having agreed to form Italy's first centre-left government less than a month after his coalition's narrow victory in the elections. Page 2

IMF attacked over debt: The International Monetary Fund was attacked by British charity Oxfam, which accused it of "systematically obstructing" efforts to resolve the problem of debt in the world's poorest countries. Page 5

UK deputy PM leads China visit: UK deputy prime minister Michael Heseltine leaves today for China, leading 270 business executives on a one-week visit. Page 3

Lucas seeks details on Varity plan: UK car components group Lucas Industries sent its chairman and chief executive to New York to clarify a proposed £3bn ($4.6bn) merger with Varity Corporation of the US. Page 21

Taiwanese market soars: Volume and prices on Taiwan's over-the-counter exchange have soared to record highs as retail investors are attracted by a flood of new listings and the entry of domestic mutual funds. Page 6

S African HIV rate jumps: South Africa's HIV infection rate rose sharply, with the virus estimated to affect 1.8m people, or 4.3 per cent of the population, compared with 1.1m a year earlier. Page 5

Indian BJP ministers sworn in: India's first Hindu-nationalist government took a ceremonial step towards power as prime minister Atal Behari Vajpayee and 11 ministerial colleagues were sworn. Page 8

Freed hostages flown to Jakarta:

Four of the nine hostages freed from rebel captors in Irian Jaya thank soldiers (above) before boarding a flight to Jakarta. Four Britons, two Dutch nationals and three Indonesians were rescued on Wednesday by Indonesian troops after a seven-hour jungle battle with the rebels.

STOCK MARKET INDICES

New York: lunchtime		
Dow Jones Ind Av	5617.89	(-7.75)
NASDAQ Composite	1234.01	(+0.45)
Europe and Far East		
CAC40	closed	
DAX	closed	
FT-SE 100	3753.6	(-22.6)
Nikkei	22147.21	(+91.24)

US LUNCHTIME RATES

Federal Funds	5¼%
3-mth Treas Bills: Yld	5.124%
Long Bond	88¾
Yield	6.899%

OTHER RATES

UK: 3-mo Interbank	6⅛%	(6⅛%)
UK: 10 yr Gilt	96⅛	(96⅛)
France: 10 yr OAT	closed	(105.52)
Germany: 10 yr Bund	closed	(98.56)
Japan: 10 yr JGB	97.7555	(97.6159)

NORTH SEA OIL (Argus)

Brent Dated	$18.55	(19.41)

GOLD

New York: Comex		
(June)	$393.5	(same)
London:		
close	$392.0	(392.7)

DOLLAR

New York: lunchtime		
£	1.5145	
DM	1.5323	
FFr	5.1995	
SFr	1.2657	
Y	106.6	
London:		
£	1.5117	(1.5131)
DM	1.5368	(1.5341)
FFr	5.203	(5.1943)
SFr	1.2588	(1.2535)
Y	106.665	(106.855)

STERLING

DM	2.3231	(2.3212)
Tokyo close:	Y 106.75	

Albania	LEK 220	Germany	DM4.00	Lithuania	Lts 15.00	Qatar	QR13.00
Austria	Sch37	Greece	Dr400	Lux	LFr75	S.Arabia	SR12
Bahrain	Din1.250	Hong Kong	HK$20	Malta	Lm0.65	Singapore	S$4.30
Belgium	BFr75	Hungary	Ft230	Morocco	MDh16	Slovak Rp	Sk65
Bulgaria	Lv130.00	Iceland	IKr238	Neth	Fl 4.75	S. Africa	R12.00
Cyprus	C£1.20	India	Rs75	Nigeria	Naira90	Spain	Pts250
Czech Rp	Kc60	Israel	Shk7.90	Norway	NKr20.00	Sweden	SKr20
Denmark	DKr18	Italy	L3200	Oman	OR1.50	Switz	SFr3.70
Egypt	E£5.00	Japan	Y600	Pakistan	Rs40	Syria	S£65.00
Estonia	Ekr 22	Jordan	JD1.50	Poland	Zl 5.50	Tunisia	Din1,750
Finland	FM15.50	Kuwait	Fils.650	Portugal (m'land)	Es240	Turkey	L80,000
France	FFr11.50	Lebanon	U$3.00			UAE	Dh12.00

Italian state airline plans to raise new capital and split into two parts

Alitalia set to shed 3,000 jobs

By Andrew Hill in Milan

The chief executive of Alitalia yesterday warned unions that the troubled Italian state airline "might not survive 1996" without rapid and decisive action to cut costs and inject new capital.

Mr Domenico Cempella, appointed in February, plans to cut roughly 3,000 jobs over five years – nearly 17 per cent of Alitalia's workforce – and reduce costs by L500bn ($321m) in the first year, according to last-ditch restructuring proposals presented to unions yesterday.

Mr Cempella is also calling for a L3,000bn capital increase from Iri, the state holding company which is Alitalia's majority shareholder, and private investors. Alitalia staff may also be invited to take a stake in the company.

Last night's meeting was the first in which Mr Cempella had talked in detail to unions about restructuring. Before the meeting, they were cautious about the plan, saying they wanted a rigorous but realistic restructuring programme, combined with recapitalisation.

Mr Cempella must tread a fine line between calming the unions and satisfying the European Commission, which is bound to scrutinise any capital increase. Brussels approved the recent injection of capital at Iberia, Alitalia's troubled Spanish competitor, but only after scaling it back and imposing strict conditions.

The plan that Mr Cempella has tabled is much tougher than the outline programmes leaked to the Italian press over the last two weeks, which suggested that about 2,000 jobs might be lost.

It comes at a moment when other European airlines are also wrestling with union problems. Air France said earlier this week that it would have to delay its planned restructuring of domestic and European operations if domestic pilots did not agree to a new remuneration package by the end of June.

Last year, industrial action – including wildcat strikes by pilots – pushed Alitalia deeper into loss, and precipitated the departure last October of Mr Roberto Schisano, Mr Cempella's predecessor.

He was forced out by Iri, the state holding company which is Alitalia's majority shareholder. Mr Renato Riverso also resigned as chairman earlier this year, complaining that he had been isolated by Iri in his attempt to resolve the union problem.

Alitalia reported a net loss in 1995 of L83.9bn, after a one-off profit of L443bn from the sale of its stake in the Rome airports company, and expects to report a loss of L280bn in the first three months of this year.

Mr Cempella's plan, which was also discussed with Iri yesterday, includes the proposal to split passenger operations into two companies – one for long-haul and one for short- and medium-range operations – which would bring cost structures and employee contracts in line with competing airlines in the same sectors.

Domestic operations would probably remain as a division of the Alitalia holding company. Leaving the meeting with Iri yesterday before talking to the unions, Mr Cempella said: "I am satisfied .... I believe in this plan and I intend to push it through."

US Treasury to sell index-linked savings bonds

By Meggie Urry in New York and Philip Coggan in London

The US government is to issue inflation-protected bonds designed to attract long-term savings from middle-income investors and boost the chronically weak national savings rate.

Mr Robert Rubin, US Treasury secretary, said the new bonds would have "the potential of raising our national saving rate as well as reducing the cost of capital to the federal government".

The government has been keen to increase the rate at which Americans save, which is low by international standards, to boost investment and reduce the trade deficit. Mr Rubin thought the bonds would be attractive to people saving for their retirement, their children's college education or other long-term purposes.

They would guarantee a return in excess of inflation and, therefore, investors would be prepared to accept a lower yield, saving the government money.

The bonds are to have either a 10 or 30-year life, and the minimum amount an investor could buy would be $1,000. Mr Rubin said that was "well within the reach of many savers". He expected strong demand from middle-income investors for the bonds.

The plan was met with some scepticism on Wall Street. Many bond experts said the experience of the UK and Canada was that demand for index-linked bonds had been limited and the secondary market in them was illiquid.

In the UK, index-linked gilts were first introduced in 1981 after the inflationary excesses of the 1970s, which made investors wary of buying conventional government debt. Since then, the UK government has steadily issued index-linked gilts so that they now make up around 15 per cent, by value, of the government bond market.

But they have not been a great success for investors, ironically because UK inflation has been much less of a problem in the 1980s and 1990s. Over the 10 years to end 1995, index-linked bonds returned 8.8 per cent per annum, compared with a 9.9 per cent return from cash deposits and 15.1 per cent from UK equities.

Mr Rubin acknowledged that the US index-linked bonds would represent "a small part of a vast market" with most of the government's debt funding continuing to come from the sale of conventional bonds. He hoped a multi-year experiment of issuing the bonds would begin later this year.

Mr Rubin said there would now be a 30-day period for public comment and the Treasury would hold meetings in the US, London and Tokyo. Many economists, including Mr Alan Greenspan, chairman of the Federal Reserve, the US central bank, favour the issue of inflation- linked bonds since the yield put on them through trading in the market would give an indication of market expectations for inflation.

Ms Kathleen Stephansen, senior economist at Donaldson, Lufkin & Jenrette, a Wall Street securities house, said the bonds would "in theory be a very interesting instrument giving a sense of inflationary expectations."

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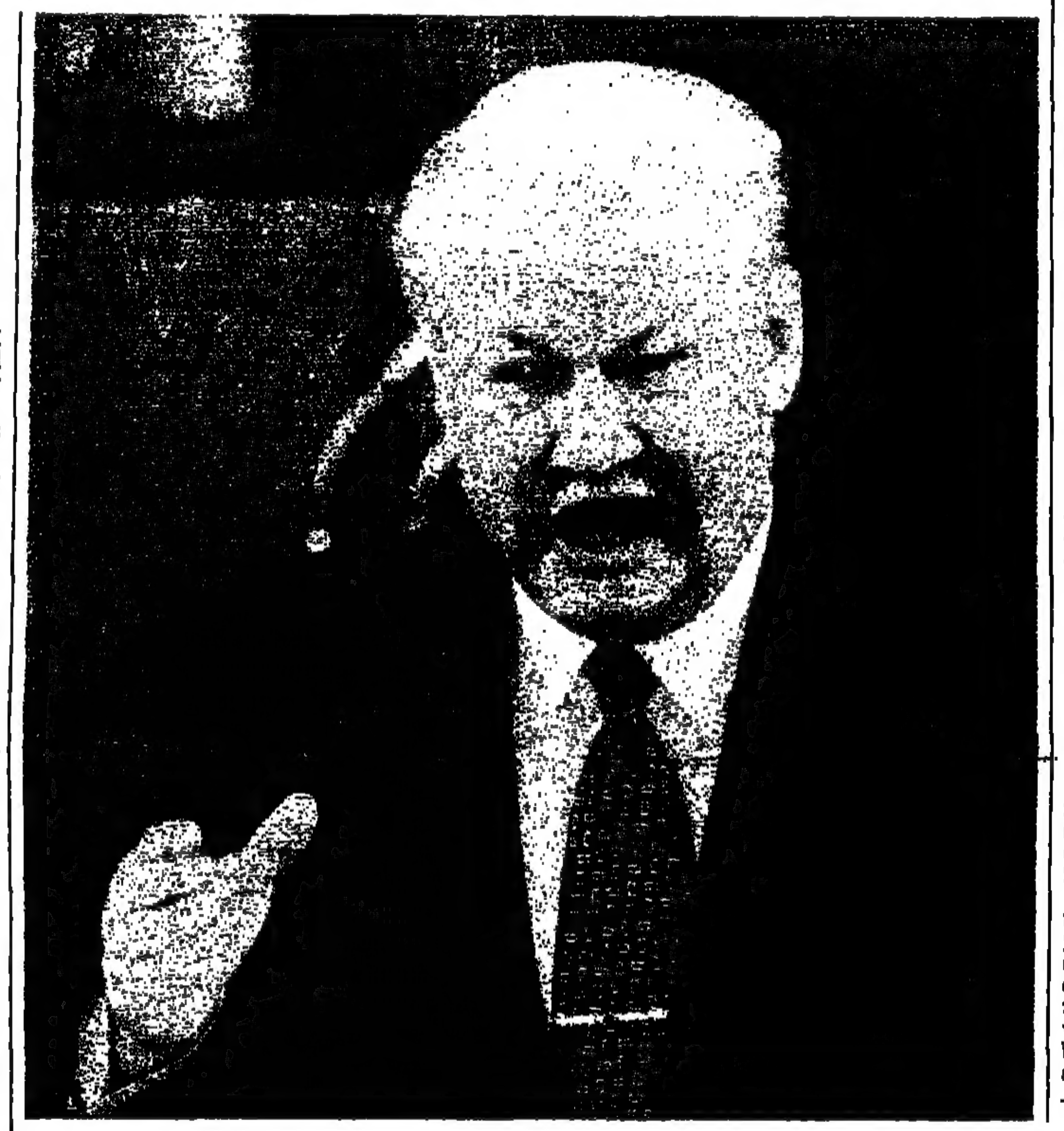
Lex, Page 22; Currencies, Page 36
World stocks, Page 42



Russian president Boris Yeltsin yesterday signed a decree to abolish army conscription by 2000. The move is a sharp change of course for Mr Yeltsin, whose government last year extended the term of obligatory military service. A month ahead of presidential elections, the abolition decision is potentially a big vote winner for the president. Report, Page 20; Moscow to steer currency lower, Page 2

Biggest Japanese brokers return to profit

By Gerard Baker in Tokyo

Japan's four biggest stockbrokers have posted their best results for five years helped by a rebounding domestic stock market and buoyant bond markets.

Nikko, Yamaichi and Daiwa Securities yesterday reported a return to pre-tax profit for the year to the end of March after the previous year's losses. This followed Nomura Securities' announcement last month of a sharp increase in profits. However, all the "big four" remained cautious about the prospects for the current financial year.

The biggest transformation was achieved by Daiwa, which turned last year's Y24.9bn ($234m) recurring loss – before extraordinary items and tax – into a profit of Y62.6bn. Nikko achieved a recurring profit of Y65bn, against a loss of Y19.3bn last year. Yamaichi improved to Y15.1bn from a loss of Y50.6bn.

All the brokers reported sharp increases in commission incomes from equity and bond trading. As share prices rose strongly from a low in the middle of 1995, equity trading volume climbed to levels not seen for five years.

The Nikkei average of 225 leading stocks closed the financial year at 21,406, up almost 50 per cent from last July. As a result, average daily trading volumes on the Tokyo stock exchange rose 16 per cent to Y374bn for the year. But a strong bond market, especially in the first half of the year, also contributed to the improvement.

The big four's return to profitability was not matched by the rest of the broking sector. Eight of the 10 second-tier brokers recorded another year of recurring losses, as they continued to suffer from over-dependence on commissions from market-shy individual investors.

All securities companies remain cautious about future prospects. Although they expect a continued improvement in the current financial year, the risk that a monetary tightening would depress the country's bond and stock markets remains a powerful drag on confidence.

Lift for brokers, Page 25

Bundesbank warns of threat from rising German deficit

By Andrew Fisher in Frankfurt

Germany's large and rapidly growing public sector deficit threatens to upset domestic capital markets by taking up too large a slice of available funds, the Bundesbank warned in a report yesterday.

Meanwhile, a survey by the Munich-based Ifo economic research institute suggested that west German industrial companies would continue investing abroad rather than in Germany between now and the end of the century.

The Bundesbank said in its monthly report that last year's public sector deficit of DM117bn ($76bn) was 42 per cent higher than in 1994 and equivalent to 4 per cent of total disposable income.

So far, the state's high borrowing requirement had not caused too many problems on capital markets because investment by industry slowed down last year as a result of slackening economic growth.

Companies' external financing needs fell in 1995 by 45 per cent to DM32bn.

Finance for new construction stagnated after sharp rises in previous years. The economy's remaining financing needs, met by borrowing abroad, fell by 35 per cent to DM29bn.

"This cannot be counted on in the long term and would certainly not be desirable from an economic policy standpoint," the German central bank said.

The public sector's weight in Germany's overall borrowing structure had increased rapidly since reunification in 1990.

Public borrowing had risen by an average 14 per cent a year: a rate that was 1½ times greater than that in the period 1979-89. At the end of last year, around a third of the DM6,700bn total domestic non-banking debt was accounted for by the public sector.

It was only a quarter in 1989 and a fifth in 1979.

The Bundesbank also said the federal government's cash deficit in the first four months had risen from nearly DM7bn last year to DM23bn this year; spending was 15 per cent higher, with revenues up less than 6 per cent.

Away from the state's financial problems, the bank said private households' savings – accounting for three-quarters of total savings – picked up slightly last year to account for 12.3 per cent of disposable income, though this was still well down on the near 14 per cent of 1992 and 1993.

Germans remained wary of buying shares, with only 5 per

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Bribery claim hits telecoms reform in Greece

By Kerin Hope in Athens

Greece's plans to modernise its telecommunications system have been thrown into disarray by a judicial inquiry into accusations that employees of the OTE telecoms monopoly took bribes from Intracom, a Greek equipment supplier.

The inquiry, announced earlier this week, comes as OTE prepares to launch a Dr800bn ($3.3bn) investment programme aimed at making the country's telephone network competitive with those in the rest of the European Union by the end of the decade.

The programme would be partly financed from the proceeds of the recent listing of 8 per cent of OTE on the Athens stock exchange and the planned sale of another equity tranche next year.

Company officials said yesterday that OTE had frozen all equipment purchases, including a Dr14bn contract for 400,000 digital telephone lines to be installed during the next 12 months by Intracom and Siemens Hellas, the Greek subsidiary of Germany's Siemens group.

OTE had been planning to invite bids from Intracom and Siemens for a Dr80bn contract to supply another 2.2m digital lines to extend its digital network in the provinces and the Aegean islands. Under current EU regulations, OTE is allowed to give preference to local manufacturers.

But if the inquiry results in charges against OTE employees, the contract will have to be offered for open tender, a process that could take up to two years, one official said.

Shares in OTE, which started trading three weeks ago, dropped below their issue price of Dr4,000 per share on news that the investigation would proceed, closing yesterday at Dr3,975.

One analyst said: "Digitalisation is central to making OTE a competitive telecoms operation. Delays in the programme would shrink revenue growth and put other investment plans at risk."

The Athens appeal court is expected to appoint a prosecutor next week to examine claims that Intracom paid $6m in bribes to OTE officials to win a Dr40bn contract to supply 1.1 digital lines. Intracom's chairman, Mr Socrates Kokkalis, dismissed the allegations as "shameless mudslinging".

Intracom, one of Greece's largest private companies has been a key OTE supplier since the mid-1970s when it started upgrading imported East German equipment to meet the Greek telecoms requirements.

To the chagrin of international telecoms equipment suppliers trying to enter the Greek market, Intracom and Siemens Hellas have so far kept a stranglehold on sales to OTE of digital switching systems.

The disputed contract for 1.1 digital lines was awarded to Intracom and Siemens Hellas in 1992 in an open tender. The losing bidders were Northern Telecom, AT&T and Alcatel. But the contract was not signed until March 1994 because of delays caused by political infighting and a change of government.

Correction

EU forecasts

Statistics for Italy in a table of EU economic projections published in the Financial Times on May 16 were incorrectly listed under "Iceland".

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New policy will allow gradual and controlled fall in the rouble

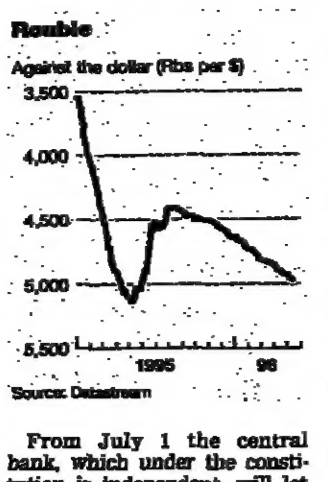
Moscow to steer currency lower

By Matthew Kaminski in Moscow

Russia yesterday announced a new exchange rate policy, intended to allow a gradual and controlled fall in the value of the rouble to the end of the year.

The move was seen as the government's attempt to signal its commitment to a stable currency and low inflation and to reassure investors during the uncertainty ahead of presidential elections on June 16.

The government announced the new rouble policy six weeks before the current exchange rate "corridor" expires on June 30. Traders and economists welcomed the new "crawling corridor" exchange rate regime as evidence of a willingness to make the economy less susceptible to political influences.



From July 1 the central bank, which under the constitution is independent, will let the rouble slowly depreciate, defending the currency against any steep falls with its growing foreign exchange reserves of about $13bn.

The new "corridor" will start at Rbs5,000-Rbs5,600 against the dollar, change daily and end at Rbs5,500-Rbs6,100 on December 31. The rouble now trades within a fixed corridor of Rbs4,550-Rbs5,150. Yesterday it held steady at Rbs4,980 to the dollar.

Mr Sergei Dubinin, central bank governor, said the bank would not let the rouble fall more than 1.5 per cent a month. This complements the government's commitment to monthly inflation averaging 1.9 per cent in the second half of the year.

Analysts had expected the government to adopt a "crawling peg" exchange rate regime, which is used in Poland and other transition countries. But a banker said the corridor gave the central bank more flexibility to defend the currency.

President Boris Yeltsin yesterday sent another reform signal by announcing greater convertibility for the rouble. Mr Dubinin said the decree would let Russia comply, from the beginning of June, with the International Monetary Fund's "Article 8" provisions on current account convertibility. But tight restrictions would remain on the capital account.

This would mean the end of regulations requiring exporters to surrender part of their foreign exchange earnings.

Mr Alexander Livshits, the president's economic adviser, said the liberalisation of the currency regime would "boost the investment attractiveness of Russia".

The markets reacted positively to the announcements. The benchmark six-month government treasury bill (GKO) fell 15 points to 131.7 per cent.

The yields on government paper have risen above 170 per cent in the past month, fed by fears over the rouble's future.

Exporters have been hankering for a weaker rouble since the fixed currency corridor was introduced in July. The planned depreciation might improve their competitiveness.

A Moscow banker was concerned, however, that the anti-inflationary anchor might not hold for long should Mr Gennady Zyuganov, the Communist presidential candidate, change the government's fiscal and monetary policy were he to win the election.

Analysts said an IMF mission in Moscow yesterday was impressed with Russia's success in bringing inflation down to 2.2 per cent last month and keeping to a tight monetary policy but "disappointed" by unexpectedly low revenues.

Karadzic's sacked PM 'plans new government'

By Harriet Martin in Banja Luka and agencies

Mr Rajko Kasagic, sacked as Bosnian Serb prime minister by President Radovan Karadzic on Wednesday, is planning to form a new government, a western diplomat said last night.

If he succeeds in doing so it would raise the stakes in the growing struggle for control of Republika Srpska, the Serb-only half of Bosnia.

Mr Kasagic won important backing yesterday when the Serbian government in Belgrade issued a statement through its Tanjug news agency calling Mr Karadzic's removal of his moderate premier "illegal, null and void".

At the same time a US State Department spokesman in Washington said: "We don't recognise Karadzic's authority to dismiss any official or to make or enforce political decisions." Mr Carl Bildt, the international community's high representative in Bosnia, and Mr Javier Solana, Nato's secretary general, who was visiting Bosnia yesterday, both added their voices in support of Mr Kasagic.

Mr Bildt said the international community "of course does not recognise illegal acts and will continue to work closely with the government of prime minister Kasagic".

The hardline Serb leadership in Pale, near Sarajevo, led by Mr Karadzic, an indicted war criminal, has been following an isolationist policy, rejecting the Dayton peace agreement which seeks loosely to reunite Bosnia through joint institutions.

Mr Kasagic has given his support to the accord, winning him full western backing, as well as that of Serbia's President Slobodan Milosevic, who signed the Dayton agreement on the Serbs' behalf.

"The Dayton agreement is the only future Republika Srpska has," Mr Kasagic said yesterday.

Although publicly Mr Kasagic has said he will stay in office until a successor is found, privately he has told diplomats he is confident the Republika Srpska national assembly, which has yet to vote on his dismissal, will back him.

It is unclear if this will be the case. Mr Kasagic certainly has support in the western part of Republika Srpska but the eastern side is often considered as under Mr Karadzic's control.

The state controlled media remains supportive of the Karadzic regime, and it is not clear where the loyalties of the police and the military lie.

Nato secretary general Javier Solana (right), on a visit to Bosnia, voiced his support yesterday for Mr Rajko Kasagic, dismissed as Bosnian Serb PM by Mr Radovan Karadzic *Reuter*

Croatia presents debt plans to banks

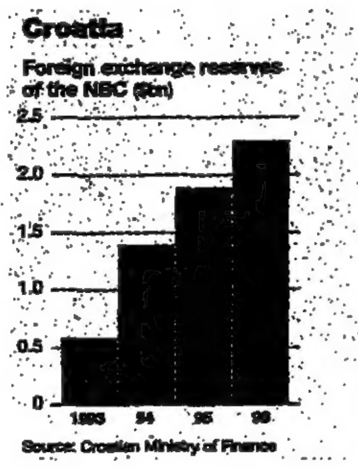
By Kevin Done in London and Gavin Gray in Zagreb

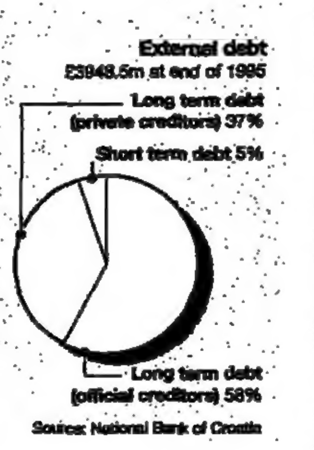
Croatia is seeking to gain the approval of up to 350 foreign banks and financial institutions by the end of May for its provisional deal with the London Club to take on 29.5 per cent of the foreign commercial bank debt of former Yugoslavia.

Under the terms of an ambitious timetable presented to the banks this week at roadshows in New York and London, Croatian government ministers said that they were aiming to implement the deal during August.

Mr Borislav Skegro, Croatian deputy prime minister, said in London that Zagreb was planning to issue bonds worth between $1.6bn and $1.7bn in exchange for its share of the debt.

In order to go ahead with the deal Croatia must now gain the backing of creditors holding at least two thirds of the debt by the deadline it has set of May 31.





The debt was incurred by former Yugoslavia under the so-called New Financing Agreement (NFA) of 1988, which was the last debt restructuring deal made by Belgrade before the break-up of Yugoslavia in 1991.

The creditors' approval is necessary in order to release Croatia from the onerous "joint and several liability" clause included in the NFA agreement, which will allow it to sever its final links with the debts of former Yugoslavia.

Mr Skegro said that speed was essential to allow Croatia to press ahead with its plans to establish an independent presence in the international capital markets.

It was seeking to regularise its relations with the commercial bank creditors of former Yugoslavia as a vital precondition for Croatia to make its first Eurobond issue for around $200m, a move that was planned for September or October, said Mr Skegro.

In a final step it was hoping to receive its first ratings from the international credit rating agencies by the end of the year.

Mr Skegro dismissed the threat that the Croatian debt deal could be undermined by a legal attack from Belgrade.

Rump Yugoslavia, which comprises Serbia and Montenegro, is already trying to sabotage through a legal action in the UK a similar debt deal made between the commercial banks and Slovenia, which is due for final implementation in mid-June.

"I do not believe that we will be brought into the legal action," said Mr Skegro. "We believe in negotiated settlements. These kinds of transactions cannot be settled through the courts."

Croatia was specifically excluding from its debt exchange offer so-called Serbian "connected persons", which were estimated to hold around 15 per cent of the NFA debt totalling $4.4bn, said Mr Skegro.

Rump Yugoslavia is still locked in bitter dispute with the other states that emerged from former Yugoslavia – Croatia, Slovenia, Macedonia and Bosnia-Hercegovina – over the assets of former Yugoslavia, which included up to $2bn in foreign exchange and gold currently frozen in foreign accounts chiefly in the UK, Switzerland and the US.

Mr Skegro forecast that the Croatian economy would grow by about 6.5 per cent this year compared with a growth of gross domestic product of 2.95 per cent in 1995.

Inflation was forecast to fall to 3.2 per cent, one of the lowest levels of any of the former communist countries in central and east Europe.

Yugoslavia risks return to hyperinflation

By Laura Silber in Zagreb

The threats of hyperinflation and continued international isolation have returned to Yugoslavia with the sacking on Wednesday night of its central bank governor.

Mr Dragoslav Avramovic was ousted by the federal parliament after a protracted and bitter dispute with the Serb-led Yugoslav government over economic reforms, badly needed to salvage an economy destroyed by 42 months of United Nations sanctions and wars in Bosnia and Croatia.

Over the past two months, sharp differences have emerged between the market-oriented Mr Avramovic and the government, which takes its instructions from Serbia's President Slobodan Milosevic.

The cash-starved Serbian regime had exerted intense pressure on Mr Avramovic to print new money in order to finance agriculture, pensions and wages in what government officials call "controlled inflation".

Last month Mr Avramovic said he accepted conditions set by the International Monetary Fund, the same terms outlined for the other states which emerged from the ruins of former Yugoslavia. Gaining access to foreign capital, he said, was the only way to avoid a return to astronomical inflation.

By contrast, Mr Milosevic has refused to join the IMF unless Yugoslavia – now comprising Serbia and Montenegro – is named as the sole successor to the former Communist federation, rather than one of five successor states. After the violent disintegration of Yugoslavia, the European Union, followed by the UN, decided in 1991 that all successor states would be treated equally.

After more than two decades with the World Bank, the 78-year-old Mr Avramovic returned to Belgrade late in 1993 to help his native country. He enjoys broad public support for having halted hyperflation – thanks to a restrictive monetary policy – and introducing a stable dinar, the national currency.

Mr Avramovic's dismissal comes against a background of growing labour unrest. Despite the suspension of sanctions last November, more than half the workforce is unemployed, most factories are closed, and the average monthly wage is about DM140 ($92).

Last autumn he put forward a programme of reforms which included privatisation, the liberalisation of foreign trade and the restructuring of the banking system. Mr Milosevic blocked the entire package.

Privately, Mr Avramovic has blamed top Serbian officials for getting rich from sanctions and corruption, and lacking any vision of reform. On Wednesday night he did not hide his bitterness, saying: "Whenever they open their mouths, they lie."

EUROPEAN NEWS DIGEST

Prodi to form government

Mr Romano Prodi last night agreed to form Italy's first centre-left government, less than a month after his coalition's narrow victory in the elections. Mr Prodi is expected to appoint ministers over the weekend, ending one of the shortest periods of post-election uncertainty in recent Italian history.

One of his first tasks will be the approval of a package of corrective measures to keep the country's 1996 budget on course. Late on Wednesday, Mr Lamberto Dini, the outgoing prime minister and treasury minister, passed responsibility for the mini-budget to Mr Prodi's administration. Mr Prodi has promised to push through the L12,000bn ($7.7bn) package as soon as possible.

Analysts said yesterday that the success of the new government in implementing a series of cuts and fiscal adjustments would be one signal of the centre-left's ability to manage the new parliament and its allies on the hard left.

Political opponents had criticised Mr Dini's provisional decision to enact the measures, arguing that it was "constitutionally and politically incorrect" for a caretaker government to take decisions of such importance. Italian newspapers reported yesterday that Mr Carlo Azeglio Ciampi, likely to be treasury minister in the Prodi administration, had also expressed concern about the type of measures proposed, and preferred to link the mini-budget to the rest of the centre-left's economic policy. *Andrew Hill, Milan*

High turnout in Gibraltar poll

Voters in Gibraltar turned out in high numbers yesterday to elect a new government that will grapple with the Rock's increasingly strained relations with Spain. The contest pits incumbent chief minister, Mr Joe Bossano, of the Socialist Labour party, a man who prides himself on locking horns with Madrid's new conservative government, against Mr Paul Caruano of the Social Democrats, whose call to improve links with Spain has gained support in recent years.

More than 55 per cent of the Rock's 18,437 registered voters had cast ballots by mid-afternoon, a figure well ahead of the last election in 1992, a government spokesman said. Total turnout in 1992 was 71 per cent. Official results were not expected until today. Voters were choosing a total of 15 deputies to the House of Assembly, Gibraltar's parliament. The party that wins at least eight seats forms a government and chooses a chief minister. *AP, Gibraltar*

Spain plea on 'dirty war' files

Spain's best-known judge asked the new conservative government yesterday to declassify military intelligence files on a "dirty war" waged against Basque Eta separatist rebels under the previous Socialist administration. Judge Baltasar Garzon, in charge of some of the investigations into the 1983-87 campaign of bombings, kidnappings and murders, requested that the new government of Mr José Maria Aznar make public 18 files, court officials said.

Mr Aznar's Socialist predecessor, Mr Felipe González, had refused a similar request to declassify the files, partly because of charges that his administration was behind the campaign against the Basque rebels.

The Supreme Court has indicted Mr González's first interior minister, Mr José Barrionuevo, on three criminal charges on the basis of allegations that he set up and financed anti-Eta death squads using ministry funds.

In his request for the military files to be declassified, Judge Garzon attached full transcripts of the papers, most of which were leaked to local media months ago, the court officials said. The papers cannot be used as evidence until their origin can be legally established through declassification. *Reuter, Madrid*

Kurds on Yilmaz's Bonn agenda

Mr Mesut Yilmaz, the Turkish prime minister, said yesterday he would convey his concern about the activities of the outlawed Kurdistan Workers Party (PKK) in Germany during a three-day visit to Bonn, which began today. "I will communicate to German officials Turkey's unease about the terror organisation PKK continuing its activities, despite being outlawed in that country [Germany]," he said.

The PKK has waged a 12-year guerrilla war for independence or autonomy in southeast Turkey in which over 19,000 people have died. Its campaign has often spilled over into Germany, where around half a million of the 2.2m Turkish community are Turkish Kurds.

Mr Yilmaz said he would discuss increasing the position of Turks living in Germany, saying their rights were not in proportion to the contribution they made to German society. Talks would also include the removal obstacles facing Turkey's customs union with the European Union, which came into effect on January 1. *Reuter Ankara*

ECONOMIC WATCH

Spanish slowdown hurts jobs

Slower Spanish economic growth in the first quarter took its toll on jobs, with an unemployment increase of more than 38,000 to 3.62m or 22.91 per cent of the active population, according to the national statistics institute's quarterly survey. The figure, confirming Spain's unenviable place at the head of the European Union's jobless league, followed a small increase in the previous quarter, although it was still lower than the 23.52 per cent rate a year earlier. Job creation failed to keep up with new arrivals on the labour market. Union leaders, who held their first meeting with the new prime minister, Mr José María Aznar, on Wednesday, said the rise was a strong argument against any move to ease redundancy conditions. Mr Antonio Gutierrez, leader of the Workers' Commissions union federation, described it as "a warning signal". The survey is used as the main guide to employment trends but is considered to exaggerate the jobless total. The latest monthly figure for registered job-seekers was 1.28m lower than the total suggested by the survey. *David White, Madrid*

■ The Polish government yesterday raised its year-on-year inflation forecast for December 1996 by two points to 19 per cent, expecting rapid growth in fuel and food prices.

Bulgaria's bank chiefs prepare to weed out stragglers

By Theodor Troev in Sofia and Kevin Done in London

The governors of Bulgaria's National Bank met yesterday to consider the closure of the country's weakest banks in a first step towards restoring confidence in the crumbling banking system.

The bank bankruptcy bill, which became law yesterday, gives the central bank powers to request through the courts the opening of bankruptcy procedures against ailing institutions.

Ominously the Bulgarian currency, the lev, began to weaken again yesterday despite record high interest rates, as many banks were besieged by anxious depositors seeking to withdraw their money.

As the economic crisis deepens, shortages of bread have been reported in some parts of the country, traditionally a wheat exporter.

Government officials have said that bank deposits will be protected, but no guarantee scheme has yet been implemented.

"All kinds of rumours are circulating and it is difficult for me to judge which bank is really sound," said Mr Stoyan Totev, one of the depositors queueing outside a state bank in Sofia yesterday.

"I will try to withdraw whatever money I can and I will keep it in a secret place in my house until the government announces the names of the banks to be liquidated."

As banks impose strict limits on the amounts they are prepared to pay out each day, many depositors are putting their money into jars at home, prompting a joke in Sofia that the only bank in which Bulgarians have confidence is "jarbank".

Apart from declaring some of the institutions insolvent, the central bank is also seeking to encourage the consolidation of the sector with the merger of certain state and private banks. The acquisition of stakes by foreign investors is also being considered.

Of Bulgaria's 47 banks, those considered to be in the worst financial condition are Mineralbank, Economic Bank, Stopanska Banka AD, Balkanbank, Yambol Trade Bank and First Private Bank. Agrobusinesbank and the Bank for Agricultural Credit have been taken over by the central bank to prevent their collapse, while the licences of Crystalbank and the Private Agricultural Investment Bank have been revoked by the authorities.

The outlines of the banking sector's restructuring are expected to be disclosed soon, to coincide with the end of the current mission of the International Monetary Fund in Sofia.

The Socialist government led by Prime Minister Zhan Videnov, under pressure to reach a new standby arrangement with the IMF to defuse the current economic crisis, has prepared a list of 64 loss-making state enterprises that are to be closed, with about 25,000 jobs expected to be axed. The companies to be liquidated represent about 29 per cent of the losses of the state enterprise sector.

A World Bank mission, led by Mr Franco Batzella, head of the trade and finance operations department, is expected to arrive in Sofia on Monday to discuss the closures and the funding of severance payments.

The government hopes to arrange a safety net loan from the World Bank to cover the equivalent of six months' pay for the workers that are being laid off.

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NEWS: WORLD TRADE

Optimism on avoiding US-China trade war

By Tony Walker in Beijing

US businessmen in China were yesterday cautiously optimistic that a trade war between the US and China would be averted, but representatives warned the dispute was likely to go to the brink.

"What we are seeing are intense and loud negotiations, but this is not so much different from 1992 and 1995," said Mr James McGregor, chairman of the American Chamber of Commerce, of previous Sino-US trade arguments which were resolved at the last moment.

US officials also expressed guarded optimism about a satisfactory conclusion, although they warned that political issues might derail agreement. Prickly relations between Beijing and Washington over Taiwan, coupled with presidential elections in the US this year, are viewed as complicating factors.

China has reacted with typical bluster, expressing outrage over the US decision on Wednesday to initiate sanctions; but Beijing insists it remains committed to a February 1995 Sino-US agreement aimed at curbing rampant counterfeiting.

China yesterday said that its door was open for talks to avert a trade war, but only if Washington renounced "high-handed" tactics. Washington, which is threatening punitive tariffs against some $2bn-worth of Chinese imports by June 17, says China has not lived up to its commitments, either on stamping out piracy or on improving market access for US entertainment and information products.

A US official said it was important in the latest dispute to "get a handle once and for all on pirate CD plants". The US claims that 30 of these factories, most of them in southern Guangdong province, are flagrantly producing counterfeit items.

But the official also said that China was getting closer to satisfying US objections. He also noted that last-ditch negotiations should be less complicated this year because, unlike last year, a framework agreement was in place.

"The Chinese have done a lot," he said, "but the picture would be much clearer if they closed those CD plants."

Some analysts see advantages for both sides in what one called a 30-day "phony war". The appearance of US toughness would provide cover for President Bill Clinton to renew China's Most Favoured Nation status against congressional opponents who accuse him of being soft on Beijing. A decision is due by June 4.

On the Chinese side, the threat of sanctions may strengthen the hands of central bureaucrats in Beijing in their arguments for stronger actions against CD pirates in the south.

European business appears to be drawing little comfort from the Sino-US row. "It's part of the ebb and flow of doing business in China," said a representative of an investment house.

"If it's not the Americans, it will be us next."

Mr McGregor said the "bottom line" for China was the fact that 31 per cent of its exports went to the US, and therefore it was "in the interests" of Beijing to resolve the issue without a sanctions fight.

According to the US commerce department, China's trade surplus with the US at the end of last year was $33.8bn, with China's exports reaching $45.5bn and imports at $11.7bn.

In the first two months of this year China's surplus was running at about the same level as last year.

Foreign direct investors to China 1995 ($bn)

	Pledged	Actual
Hong Kong	233.7	78.6
Taiwan	29.3	11.5
US	28.2	10.8
Japan	21.2	10.5
Singapore	17.2	3.9
South Korea	6.7	2.2
UK	9.2	2.2
Macao	7.7	1.9
Germany	4.4	1.1
France	1.8	1.0
Total	359.9	124.1

Source: Chinese Ministry of Foreign Trade and Economic Co-operation

Japanese warn of negative effects on world economy

By Emiko Terazono in Tokyo

Japan yesterday described the escalating trade row between the US and China as "counter-productive" and warned that the dispute could have negative effects on the global economy.

"Slapping sanctions on each other will have no favourable effects on the world economy," said Mr Tomio Tsutsumi, vice-minister of international trade and industry, following threats by both Washington and Beijing to impose punitive tariffs and import bans on hundreds of products.

The US on Wednesday presented China with a list of goods totalling $3bn which could be liable to import tariffs of 100 per cent or more unless Beijing agrees to improve protection of intellectual property, including compact discs and software, by June 17. China responded by announcing its own list of US products which would be subject to punitive tariffs.

"We hope China and the US will settle the issue through dialogue before the sanctions go into effect," said Mr Tsutsumi. Japan itself agreed to amend its copyright property rules on recorded music this year after the US and EU threated to take the issue to the World Trade Organisation. The country's copyright protection dated back only to 1971 and the US and EU wanted an extension to 1946.

Mr Tsutsumi criticised the US government's threatened use of trade sanctions to settle the issue with China. The Japanese government has always resented similar tactics used by the US in previous bilateral trade disputes.

Earlier this week, Mr Tsutsumi told Chinese trade representatives during Sino-Japanese vice-ministerial talks on industrial partnership that Japan would support China's bid for entering the WTO and that while China should abide by WTO rules, it needed a transition period.

The incoming president of Japan's Fuji Photo Film said he would welcome talks on the company's dispute with Eastman Kodak of the US under the auspices of the World Trade Organisation, AP-DJ reports from Tokyo.

However, Mr Masayuki Muneyuki criticised the US government for threatening to use Section 301 of the US trade law to deal with the Fuji-Kodak issue.

He said the issue should be treated within domestic anti-monopoly laws because Kodak's complaint focuses on Japanese business practices.

He said both Japan and the US had played active parts in creating the WTO in order to settle international trade disputes. "If we can't settle this problem, I think it would be a very good thing to talk about it at the WTO," he said. However, he said he was not in a position to say how the issue should be brought to the WTO negotiating table.

Dispute puts squeeze on Hong Kong

The colony's two main trading partners are at odds, reports John Ridding


Barshefsky: outlines sanctions

The trans-Pacific trade dispute between China and the US puts Hong Kong between a rock and a hard place. "Since China and the US are our two largest trading partners, we would be very concerned about any adverse effect such measures might have on Hong Kong's economy," said Ms Denise Yue, trade and industry secretary, in a reference to threatened US sanctions and promised Chinese reprisals.

Many in the business and investment community took the trade skirmish in their stride, expressing confidence that a compromise would be reached. But they noted the potential for damage.

Hong Kong's trade-based economy is the conduit for much of the commerce between the mainland and the US. Of Hong Kong's total re-exports of HK$1,100bn (US$142bn) last year, more than half came from China and HK$231bn went to the US.

The territory is also exposed because many of its labour-intensive industries, from textiles to consumer electronics, have shifted across the border to Guangdong to capitalise on lower costs.

The southern Chinese province will feel a disproportionate blow if sanctions take effect between China and the US. Describing Guangdong as "China's most notorious region for piracy", Mrs Charlene Barshefsky, acting US trade representative, outlined targeted sanctions designed to hit some of the region's main industries.

What is bad news for Guangdong is bad news for Hong Kong, by far the largest investor in the province and an outlet for its goods. But how bad the news could be depends on the process of the trade dispute.

For many, concerns are tempered by scepticism. "We have been here many times before and a solution was found. This is really political games," said Mrs Josephine Ha, marketing manager of Topstyle, a Hong Kong clothing maker with factories in Guangdong. She admitted, however, that the imposition of sanctions would be "a severe setback for the industry". Other sectors, including electronics, transport and Hong Kong's port operators would also feel the blow.

Overall, most economists play down the impact on Hong Kong's economy of the initial US$2bn-$3bn sanctions. "There would be pain for some companies, but the overall economy would not be too badly affected," said the chief economist at one investment bank.

The real problems would arise from an escalation of measures and counter-measures and a threat to the renewal of China's Most Favoured Nation trading status with the US. While most business people believe the dispute should be resolved and MFN be approved, others warn of increased unpredictability during a US election year.

During a visit to Washington this month, Mr Chris Patten, the Hong Kong governor, warned of the damage to Hong Kong that would be wrought by a revocation of China's MFN status. He said the move would cut Hong Kong's economic growth rate by up to half and cost 90,000 jobs.

How the current dispute will affect MFN prospects is unclear. While the clear risk is that deteriorating trade relations will further complicate the renewal of China's trade status, specific disputes could deflect the issue.

"Rapping Beijing on the knuckles on specific issues such as intellectual property rights may be painful," said Mr Tony Miller, director general of Hong Kong's trade department. "But by focusing congressional irritations on the components of trade relations, it could even help the administration get MFN renewal through."

UK businessmen go east

By James Harding

Mr Michael Heseltine, the UK deputy prime minister, today leaves for China leading the largest UK delegation of businessmen to a foreign country.

More than 270 executives from the automotive, aerospace, textiles and telecommunications industries are joining Mr Heseltine on a week visit to Beijing, Shanghai and Hong Kong.

The trip underlines the UK government's growing faith in ministerial export promotion after the example of large US trade delegations to China.

Ministers believe the visit will generate a number of commercial contracts and projects and have set aside an entire afternoon next week to announce new ventures.

Land Rover is set to announce its launch into the Chinese market on Monday, with the official opening of its first outlet in Beijing.

A large group of water-related industries will also be joining Mr Heseltine, who is due to discuss water projects with the ministry of construction.

Other businesses represented on the trip include British Aerospace, Cable and Wireless, West Merchant Bank, Rolls Royce and directors of most of the largest privatised utilities.

Mr Heseltine expects a number of new deals to flow from the trip and justified the growing amount of ministerial time spent on trade delegations to Asia with figures from a National Audit Office report last month.

According to the NAO report, government assistance to overseas exporters cost approximately £4.5m ($6.8m) in 1994 and helped generate £345m in trade with countries in south east Asia.

Natural gas deal will be Peru's biggest

By Sally Bowen

The Peruvian government is today scheduled to sign an agreement for the largest single investment in the country. The investment of between $2.7bn and $2.8bn by a consortium comprising Shell and Mobil will develop the huge natural gas and hydrocarbons deposits of Camisea, 300 miles south east of Lima.

Camisea contains reserves of gas and liquid hydrocarbons equivalent to 2.2bn barrels of oil, more than six times the country's current oil reserves.

The deposits were discovered by Royal Dutch Shell in 1988 after several years of intensive exploration in the remote jungle area. Development was stymied, however, when the project fell foul of then president Alan Garcia's lack of enthusiasm for foreign investment.

Two years ago, convinced by the Fujimori government's achievements in fighting hyperinflation and terrorism, Shell was prevailed upon to dust off its feasibility studies and take another look at Camisea. Spreading the risk, it entered into partnership with Mobil of the US. Negotiations over development strategies, taxes and royalties have now lasted a year.

Development of Camisea will allow Peru to become a net exporter of oil and hydrocarbons within five years, according to energy ministry officials. Currently, fuel imports cost around $300m a year.

In a first-phase development agreed with Shell/Mobil, gas from Camisea will be used to generate electricity at a 450MW power plant close to the wellhead. The plant will be constructed by selected independent power producers for $300m.

It has been the definition of the costly second-stage development, however, which has made negotiations so protracted. The nub of the problem has been to pinpoint a market for Camisea's gas.

WORLD TRADE NEWS DIGEST

China Airlines to buy 8 Boeings

China Airlines (CAL), the Taiwanese carrier, yesterday signed a $1.4bn contract with Boeing of the US for eight 747-400 aircraft. The first four firm orders are for aircraft to be delivered between May and December 1997. The rest, on option, will be added to CAL's fleet between 1998 and 2002 as needed, the company said. They will fly routes from Taiwan to the US and Europe.

The purchase will help bring the carrier's fleet from 41 today to 67 by 2008. The move followed CAL's announcement last December that it would buy six Boeing 737-800s, including options to buy nine more, for $750m. *Laura Tyson, Taipei*

VW in Dead Sea project

Volkswagen, Europe's largest carmaker, and Israel's Dead Sea Works yesterday signed a joint venture contract to extract magnesium from the Dead Sea. The project, with an estimated total investment of up to $800m, will be the biggest European investment in Israel.

"Volkswagen's entry into Israel is a manifestation of the economic benefits to Israel as a direct result of the peace process and Israel's peace agreements with its neighbours," Volkswagen said.

Dead Sea Works, a subsidiary of Israel Chemicals, holds a 65 per cent interest in the joint venture, to be called Dead Sea Magnesium, and Volkswagen holds the remainder. Under the first phase of the project, the partners will invest $400m. In the second stage, $300m will be invested with a further $50m spent on a die casting plant to make car parts from magnesium.

The magnesium, lighter and stronger than aluminium, will allow Volkswagen to build a more environmentally friendly car, lighter and consuming less fuel. *Julian Ozanne, Jerusalem*

Virgin buying Airbuses

Virgin Atlantic of the UK is to buy two more ultra-long range A340-300 aircraft from Airbus Industrie, the European consortium, but said it was still talking to Boeing of the US about ordering 777s.

Virgin said the new Airbus aircraft would be delivered in the second quarter of 1997, bringing the number of A340s in service with the airline to eight. Mr Richard Branson, chairman, said the aircraft would be used to fly to the US, Asia and South Africa. The airline is also considering launching flights to the Caribbean.

Virgin holds options on six Boeing 777s and said it was still talking to the US company about buying them. But Mr Branson has said the A340 may turn out to be a more economical aircraft to operate than the 777. He also said some passengers would rather fly on a four-engined aircraft, such as the A340, than on the Boeing 777, which has two engines. *Michael Skapinker, Aerospace Correspondent*

■ CAE, the Canadian electronics group, will supply a satellite-based air traffic control system to the Airports Authority of India. The $1m FANS system will ease congestion over the busy Bay of Bengal and Calcutta, saving fuel for airlines. *Robert Gibbens, Montreal*

■ Severfield Reeve is to supply 3,000 tonnes of structural steelwork for a new power station in Aqaba, part of £21m ($32m) of orders won recently by the UK specialist engineering group. The power station is for the Jordan Electricity Authority. *Andrew Taylor, Construction Correspondent*

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Ecuadorean poll leader polishes style

Raymond Colitt and Sarita Kendall meet the contenders in Sunday's election

Since the day he lost the last run-off for president of Ecuador in 1992, Mr Jaime Nebot, a lawyer from the coastal city of Guayaquil, has been polishing his style.

The 49-year-old moustachioed candidate from the centre-right Social Christian party has toned down his accusatory, fist-pounding public speeches. Now he appears, dark suited and smiling, a calmer figure.

The image change appears to be working. He leads the opinion polls ahead of Sunday's elections, but not by enough to avoid a run-off with one other candidate on July 6. Nine presidential candidates are battling for the presidency, which is up for election along with all the seats in Congress and all provincial governorships.

Backed by the large agro-industries from the coast, Mr Nebot is the most outspoken proponent of a market economy. Abroad he tells investors of public payroll cuts and privatisation; at home he speaks more of improved public services and increased social spending.

Mr Nebot's party is almost certain to gain the largest congressional block. If like most Ecuadorean heads of state including the outgoing President Sixto Duran, he reaches impasse with congress, Mr Nebot as president is expected to resort frequently to referenda to override the legislature.

His principal contender is Mr Abdala Bucaram, 44, a populist also from Guayaquil who has made two previous unsuccessful attempts at the presidency. With his anti-establishment rhetoric, Mr Bucaram of the Roldosista Party typically attracts young, urban unemployed.

In order to draw crowds, Mr Bucaram often engages in theatrical performances, occasionally impersonating fantastic characters such as the comic strip character Batman. Mr Bucaram stands a good chance of making the second round, but attracts too much opposition to be a likely president.

The most surprising contender is a television show host with no political experience, 50-year-old Mr Freddy Ehlers.

He appeared in the political arena only months ago, grabbing a 17 per cent share of the vote within a week. "Ehlers produced an earthquake in the opinion polls," says Mr Jaime Duran, a pollster and political consultant. Mr Ehlers responded to a widespread disillusionment with long-standing politicians. "He is an authentic outsider," says Mr Duran.

Nebot, the most likely contender and Ehlers, the most surprising

Mr Ehlers is benefiting from last year's corruption scandal, which led vice-president Alberto Dahik to flee the country over charges of having misused secret state funds. With the economy also growing last year at only half of its 5 per cent target, Ecuadoreans, also angered by rising taxes and petrol prices, lost faith in politicians, says Mrs Dorothea Wollrad, head of the Latin American Social Research Institute, in Quito.

Mr Ehlers has built a rainbow coalition backed by labour unions, native indians and the centre-left Izquierda Democratica party. Indigenous people, which represent about 30-35 per cent of the population and as much as 8 per cent of the vote, have never been represented in the national government or congress.

"This is the first time we are participating in elections with our own candidates," says Miguel Lluco, who is running on the Ehlers ticket as a congressional candidate in the Andean province Chimborazo.

Critics insist that Mr Ehler's constituency would be incompatible with market-oriented reform. The agenda of the indian movement, which includes declaring Ecuador a pluri-national state and integrating natives into society also faces considerable resistance by a large sector of society. Says Polivio Cordovez of the polling firm Cedatos: "If elected, Ehlers would have an extremely difficult time to convince those Ecuadoreans that didn't vote for him."

According to the most recent polls, Mr Ehlers falls just short of tying Mr Bucaram for second place. But he has not yet managed to dent Mr Nebot's 10-12 percentage point lead.

Voting is obligatory for the literate in Ecuador. "Sixty per cent of Ecuadoreans wouldn't vote if they didn't have to. This makes opinion polls very imprecise, a lot of people only decide how to vote when they're waiting in the queue," says Mr Duran.

This could mean that Mr Ehlers, who relies on many native indians to make their way to the nearest polling station from isolated rural communities, may have a surprise in store. Only days before the election, 20 per cent of all eligible voters are still undecided.

Uphill task to catch up with Clinton

Dole seeks revival in US heartland

By Jurek Martin in Washington

Mr Bob Dole, soon to be an ex-senator, yesterday took his presidential campaign out of Washington, where he was losing it, and into the heartland, specifically Chicago, where he believes it can be won.

But he left the capital abuzz with speculation about who would succeed him as majority leader and what that choice might mean for the mass of legislation now bogged down in a classic congressional gridlock between Republicans and Democrats.

Mr Dole took to the road on a wave of compliments for the eloquence with which he had on Wednesday announced his resignation from the Senate, where he has served for 27 years. But that was matched by sober analysis of the difficulties he faces in overcoming his 20-point polling deficit behind President Bill Clinton.

The consensus view was expressed by Mr R.W. Apple in the New York Times. "It was a bold manoeuvre, full of potential perils – not least the possibility that an electorate weary of tactics and stratagems would see his resignation as just another gimmick rather than the symbol of new departure that he intends."

Mr Dole also has finance problems, with perhaps no more than \$1m left in federal funds to spend between now and the August convention, after which he will get an official infusion of about \$65m. By contrast Mr Clinton, unopposed in the Democratic primaries, has an estimated \$20m available for deployment over the summer.

Many of the Dole campaign staff have already been transferred to the Republican national committee, which yesterday came to his further aid with the launch of a three-month \$20m advertising campaign.

Senator Tom Daschle, the Democratic Senate leader, was quick yesterday to put a very political spin on Mr Dole's dramatic move. "Bob Dole's departure," he said, "is the first Republican vote against the Gingrich Congress" and the "extreme" agenda associated with the Speaker of the House.

Leading contenders to become the next majority leader, listed in the probable order in which they are rated by their Senate colleagues, are Senators Trent Lott, now Mr Dole's deputy and chief whip, and Thad Cochran, both from Mississippi, Senator Don Nickles from Oklahoma and Senator Pete Domenici from New Mexico.

The outcome may depend on whether Mr Nickles decides to go for the whip's position instead of the majority leadership. That would probably help Mr Lott, like Mr Nickles a strong conservative.

But there was considerable doubt whether the new leader would have the authority to cut through the current legislative log-jam. Even Mr Dole failed in this task over the last month but he always appeared more likely to engineer a compromise on raising the federal minimum wage and on the health insurance reform bill than any of his prospective successors.

Chief executives told how to mix virtue with profit

By Patti Waldmeir in Washington

President Bill Clinton yesterday gave 100 chief executives a free breakfast at the White House, along with some free advice on how to be both virtuous and profitable in business.

The president invited the business leaders to Washington, on the first day of a reinvigorated US presidential election campaign, to urge them to fulfil their "corporate responsibility" to the American worker. He urged them to create "family-friendly" workplaces and to adopt as their motto the aphorism: "Do well by doing good".

Over breakfast and during a day-long seminar at Georgetown University, Mr Clinton argued that US companies could offer more generous benefits to workers while enhancing profits. He chose a dozen companies to illustrate his argument, including Starbucks, the coffee company which calls its employees "partners" and offers them stock options together with health insurance benefits for part-time workers.

In the ornate chamber of Gaston Hall at the university, he invited the model executives to outline their formulae for making money while keeping employees happy.

Mr Yvon Chouinard of Patagonia, an outdoor-wear manufacturer, explained how he ensured employee loyalty by allowing workers, including nursing mothers, to keep young children with them as they worked. "I want our employees to bond with their children," he said, adding "we don't provide these benefits because we're nice. We provide them because they are good for our business".

Mr Ken Lehman of Fel-Pro, a small family-owned midwestern gasket-maker, said he gave employees a free turkey at Christmas and free chocolates on Valentine's Day, built a summer camp for employees' children and provided free emotional counselling and a "wellness centre", all at a cost of only 70 cents per employee an hour, less than 10 per cent of total benefit spending.

Mr Clinton urged the executives to follow five "principles of corporate citizenship", including creating family-friendly workplaces where employees could be offered flexible work schedules, child care and time off to fulfil the duties of parenthood. Businesses must provide healthcare and pension benefits, safe workplaces, they must invest in worker training and make their businesses a "partnership with employees", he said.

But if the political goal of the conference was to demonstrate the president's concern for workers caught in an era of corporate downsizing, most of the measures presented focused on making existing employees happier rather than outlining a humane approach to downsizing.

Republicans were quick to condemn Mr Clinton for meddling in the private sector.

Mr Haley Barbour, chairman of the Republican national committee, said the conference was "evidence of this administration's desire to control the economy". Mr Jerry Jasinowski, president of the National Association of Manufacturers, damned it with faint praise.

"Focusing on the positive steps corporations are taking to help their employees is a welcome antidote to hysterical corporate-bashing. But all too often this administration has been more of a hindrance than a help," he said.

AMERICAN NEWS DIGEST

Mexico plans mortgage aid

Mexico yesterday announced a \$3bn plan to help borrowers meet mortgage payments and stop the deterioration in banks' asset quality. Interest is not being paid on 10 to 11 per cent of mortgages, according to conservative estimates, as interest rates are set typically 10 points over inter-bank interest rates, which are currently at 30 per cent.

The new scheme links the principal owed to inflation and makes interest payments more gradual. The government will assume 30 per cent of mortgage payments in 1996 and a similar proportion in the next two years. Nearly all the country's 900,000 mortgage holders will be eligible. The scheme, which will be spread over 10 years, is programmed to come into effect on June 1. The programme should benefit the country's two leading banks, Banamex and Bancomer particularly, since mortgage loans represent more than a third of their total loan portfolios.

Daniel Dombey, Mexico City

US housing starts rise by 5.9%

The US housing market is showing surprising resilience in the face of higher long-term interest rates, figures indicated yesterday. The Commerce Department said starts rose 5.9 per cent last month to a seasonally adjusted annual rate of 1.52m. Most Wall Street economists had expected a decline of about 1.5 per cent. The increase was the largest since a jump of 7.9 per cent last November and more than offset a revised decline of 5.2 per cent in March. Starts were up 16 per cent in the first four months of this year compared with the same period last year. Building permits were up 3 per cent last month and by 18 per cent in the first four months relative to the same period last year.

Michael Prowse, Washington

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NEWS: INTERNATIONAL

Tip-offs, management changes, accidents – not controls – uncover most problems

Big company frauds 'detected by chance'

By John Mason, Law Courts Correspondent

Most frauds on big companies throughout the world are detected by chance rather than through control systems such as audits, an international survey by Ernst & Young, the UK accountants, has shown.

The finding that most frauds are uncovered through tip-offs, management changes and accidents is particularly worrying, said Mr David Sherwin of Ernst & Young's fraud prevention unit, which commissioned the survey. "It implies that there is a lot more fraud going on than is ever uncovered," he said.

Most discovered frauds were regarded as preventable, but a widespread lack of proper prevention policies and poor controls mean they are thought likely to recur, the survey concluded.

Businesses were often more concerned about commercial expansion than fraud prevention, leaving a gap that fraudsters could exploit, it discovered.

The survey, published yesterday, attracted 805 responses from 5,500 directors and senior managers of large companies operating in 11 countries, including the UK, US, France, Hong Kong, Netherlands, South Africa and Australia.

The 17 sectors surveyed included banking and financial services, oil and gas, engineering and manufacturing, insurance, chemicals, hotels and leisure, and telecommunications.

The survey also revealed:

- Four out of five frauds on companies are committed by staff, often trusted and long-serving employees. Only financial institutions were hit mainly by outsiders.
- Frauds involving either misuse of computers or corruption in purchasing operations were of most concern to directors.
- Eighty-eight per cent of directors who responded to the survey felt their companies were as vulnerable to frauds now as five years ago, or more so. Some blamed the increased globalisation of business and use of computers and the Internet to transfer assets.
- Frauds were more likely to take place in companies where responsibility for prevention had been delegated by directors to other people such as internal audit departments.
- Almost half the respondents thought their directors had a "less than good" understanding of their core businesses and knew even less about their foreign operations. Tensions between head offices and overseas operations often led to some cases not being reported.
- Confidence in court processes varied. Only one in four thought the UK courts could handle fraud trials properly, while 94 per cent had confidence in the Hong Kong system.
- South America, eastern Europe and northern and west Africa were regarded as as high-risk regions to conduct business in.

Ernst & Young 1996 International Fraud Survey. Mike Carlton, Ernst & Young, Becket House, 1, Lambeth Palace Road, London SE1 7EU. Tel: 0171 931 4630.

Insurers ponder environmental risk management

By Leyla Boulton, Environment Correspondent

International insurance companies meet in London on Monday to consider ways of better managing environmental risks, which are costing the business huge amounts of money.

Mr Andrew Dlugolecki, assistant general manager of General Accident, the UK insurer, said yesterday that a more immediate aim of the meeting was to try to influence the outcome of climate change talks this summer and next.

He said the insurance sector's lobbying capacity was "not geared up to talk at the international level to policymakers where big decisions are being made." This was in sharp contrast, for example, to more vocal lobbying by some companies in the energy sector such as fossil-fuel producers, which have been campaigning against radical reductions in carbon dioxide emissions which contribute to global warming.

The insurance industry, he said, wanted effective action to deal with climate change, but also believed it should be carried out in an "orderly" fashion.

Mr Dlugolecki, a member of the steering group organising the two-day meeting, said a whole range of other environmental concerns included oil spills, contaminated land, and asbestos claims.

The United Nations Environment Programme (UNEP), which is co-sponsoring the meeting, says clean-up costs for the US Superfund programme established to clean up contaminated land could exceed $1,000bn over 30 years.

The conference will seek to put flesh on the bones of a Statement of Environmental Commitment signed by 54 insurance companies since the declaration's launch last November by UNEP. "Growing awareness of human-induced natural disasters, such as oil spills or floods can be expected to reshape the investment markets of tomorrow," UNEP said.

US companies fear they could be held legally responsible for signing

That statement committed signatories to pay more attention to environmental risks, and to promote sound environmental practice within the industry and among the companies they insure.

But while most of the big European and Japanese insurance companies will attend the meeting, there will few US delegates. Mr Frank Nutter, president of the Reinsurance Association of America, said this was partly because US companies feared they could be held legally responsible for signing the UNEP document.

He said another problem was that they were not "as far up the learning curve" on the implications of problems like climate change for business.

Mr Dlugolecki however dismissed fears of litigation, saying General Accident's US subsidiary had looked into the issue and saw no problems.

Algeria seeking democracy 'to re-establish social peace'

Roula Khalaf in Algiers talks to Mihoub Mihoubi, minister of culture, about the country's constitutional proposals

Democracy and pluralism are the two words that recur most frequently in conversation with Mr Mihoub Mihoubi, Algeria's minister of communication and culture and a close associate of President Liamine Zeroual.

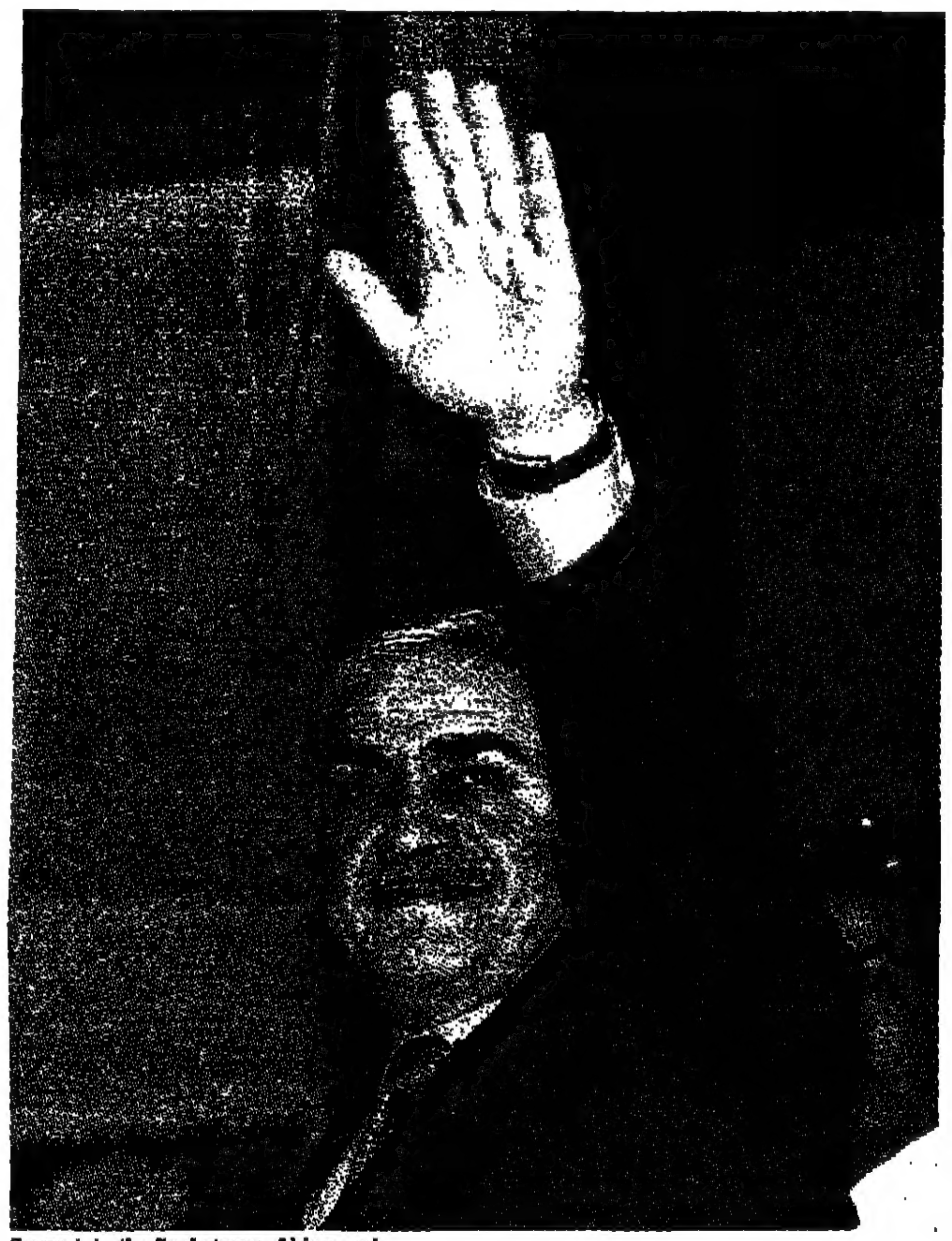
He says Mr Zeroual has been engaged in a persistent search for democracy, and his plans for a referendum on the constitution, to be followed next year by legislative elections, are the final stage in his attempts to build this democracy.

In a country where people have lost all measure of trust in each other, this view is not widely shared by opposition leaders. They see Mr Zeroual's plans as a facade for democracy and Algeria as a country ultimately managed by an army which in 1992 stepped in to cancel an Islamist victory in elections many of thought perfectly democratic.

But that was a democracy without brakes or limits, as Mr Mihoubi puts in, and this is why the 1992 elections had to be cancelled, sinking Algeria into four years of violence. The kind of democracy Mr Zeroual wants to create will have more solid foundations, he said in an interview, and will be set within an institutional framework that will prevent parties from manipulating Islam to attain power.

The president's platform, which calls for wide-ranging constitutional amendments, "will re-establish the foundation of democracy and will be the graveyard of all the detractors of democracy", Mr Mihoubi said. "Our objective is not to perpetuate our power, nor to win elections, but to re-establish social peace and consolidate it in a democratic system."

The amendments proposed by the president aim to prevent parties from using Islam and other elements of the Algerian national identity for political ends and require them to have a large constituency across the territory and an established track record.



Zeroual: in the final stages of his search

Several opposition parties continue to believe that negotiations among all the parties concerned in the four-year struggle between Islamic militants and security forces are required to rebuild a level of trust before elections are held; others want to have elections before a vote on the constitution. But most see in these amendments a sordid attempt to control the political field.

They point for instance to the proposal which envisages giving the president the power to issue legislation in extraordinary circumstances.

Mr Mihoubi insists the president's objective is quite the opposite. Clauses within the proposals were designed to limit, rather than expand, the president's own powers by allowing him a maximum of two terms and establishing a higher state court to judge the president and the prime minister in cases of treason.

Mr Mihoubi says the parties have the chance to argue on the changes proposed in the constitution by replying to a memorandum the president has just sent to them. "Whether the parties adhere to this approach or not is their right," says Mr Mihoubi. "What is important is that they bring constructive propositions to this debate that will contribute to the emergence of this legislation."

Mr Mihoubi will not directly comment on the fate of Islamist parties once the new constitution is adopted. The Islamic Salvation Front (FIS), which was poised to win the second round of legislative elections in 1992, was subsequently outlawed. But another Islamist party considered more accommodating toward the government was invited to field a candidate in the presidential elections won by Mr Zeroual last November.

Mr Mihoubi says: "Islam does not need a political party. The people who voted for an Islamist party in the presidential elections – a minority of 25 per cent – will have the right to express their views within the new rules of the constitution, which will be chosen by the majority of people."

Like other members of the current government, Mr Mihoubi is convinced that the FIS is a thing of the past. The violence, he says, is now of a "residual" nature and the government has already "done all the necessary effort, all that morality requires" in its attempts to hold discussions with the FIS.

Asked if it was too late for some leaders of the FIS who denounce violence to enter the political game on the president's own terms, Mr Mihoubi gave an ambiguous answer.

He would only say: "The only approach that is worth anything is the one that positions itself loyally within the democratic game and accepts all the rules that regard those who aspire to run the affairs of the nation."

More humanitarian emergencies feared

By Frances Williams in Geneva

The steady decline in aid to poor countries will make equitable development more difficult and create yet more humanitarian emergencies, Mr James Gustave Speth, head of the United Nations Development Programme, said this week.

Mr Speth, in Geneva for UNDP's annual executive board meeting, said it was a myth that "privatisation and a free market, globalisation and foreign direct investment [FDI] obviate the need for development aid".

Around the world poverty was growing faster than population, while the gap between the richest and the poorest 20 per cent had doubled from 30-fold to 60-fold over three decades.

Almost all FDI went to 20 nations, with just 6 per cent directed to Africa and 2 per cent to the 48 least-developed countries.

Mr Speth said that if the decline in development aid continued "the world will pay dearly with tragic consequences down the road and face a much heavier financial cost".

This was recognised in such places as the Middle East and Bosnia but it was true in many other parts of the world.

The New York-based UNDP has a budget of $1.6bn (£1.2bn), 90 per cent of which goes in grants to low-income countries for poverty alleviation and improved governance.

Oxfam criticises IMF over poor countries' debts

By Michael Holman, Africa Editor

The British charity Oxfam yesterday launched a bitter attack on the International Monetary Fund (IMF), accusing it of "systematically obstructing" efforts to resolve the problem of multilateral debt and the world's poorest countries.

In its written submission to the House of Commons treasury select committee, the charity calls on the Britain to withdraw support from the IMF's enhanced structural adjustment facility (Esaf) unless the Fund makes what it calls "a substantial contribution to multilateral debt reduction".

The Fund has refused to contribute to a proposed trust fund which would be part of a comprehensive plan to ease the debt burden of severely indebted low income countries (Silics). Instead it is seeking donor support for refinancing its Esaf.

The Group of Seven leading industrial countries are expected to discuss the plan, set out in a joint World Bank-IMF paper, at their summit in Lyons next month, but they are divided on its merits.

In its submission, Oxfam says that "refinancing old Esaf loans with new ones on similar terms will offer no benefits in terms of debt reduction".

The charity calls on the British government to put pressure on the IMF to sell part of its gold stocks to provide immediate debt stock reduction on grant terms.

Since 1987, the IMF has received some $4bn (£2.6bn) in repayments from Silics than it has provided in new loans.

Oxfam said yesterday the IMF had "systematically understated the extent of the multilateral debt problem" and conducted what it called a "campaign of disinformation".

In 1980, debt owed to multilateral creditors accounted for 22 per cent of debt stock and 20 per cent of debt service payments. Today, it represents around 28 per cent of debt stock but just over one half of debt service payments.

In a press statement yesterday, Oxfam called on the British government to oppose the re-instatement of the IMF's managing director, Mr Michel Camdessus, when his term of office expires in January: "As managing director of an institution which has the power and resources to improve the plight of some of the world's poorest and most vulnerable people, Mr Camdessus' tenure has been one of almost unmitigated failure – and it is time for a change."

Sharp rise in rate of HIV infection in South Africa

By Roger Matthews in Johannesburg

South Africa's rate of HIV infection rose sharply last year, and the virus is now estimated to affect 1.8m people, or 4.3 per cent of the population, compared with 1.1m a year earlier, according to figures published by the ministry of health.

A survey of 14,000 pregnant women carried out in October and November revealed that 10.2 per cent tested positive for HIV, the condition which can lead to Aids. A year before the figure had been 7.6 per cent.

Mr Erich Potgieter, actuarial consultant to Old Mutual, South Africa's biggest life assurer, said the worsening of the Aids crisis would have serious implications for labour productivity and the cost of doing business. "Studies for our clients show the direct cost of employee benefits could rise by around 15 per cent of the payroll over a 10-year period," he said.

He hoped the latest figures would jolt business and labour into urgent action to counter the potentially devastating effect of Aids on employee benefits. "An employer who is now contributing 20 per cent of payroll towards benefits could end up contributing 35 per cent, and this will be accompanied by costs of extra recruitment, training, sick pay and absenteeism," he said.

The survey, which is anonymous, is the sixth to be carried out and is used by the ministry of health as its main source for monitoring the levels of HIV infection. Mr Potgieter said the survey had a lot of scientific credibility and was a good basis for estimating the prevalence rate in the working population.

"Based on these figures, the infection rate should already have climbed to nearly 12 per cent among women in the 15-49 age group in the six months since the survey was carried out.

"The infection rate among men is likely to be lower, but this still implies that one in every nine people in the workforce is carrying the virus," he said.

Mr Potgieter complained that despite the deterioration there was no sign of official urgency is tackling the problem. He urged negotiations between employers and unions to assess the financial, social and human aspect of Aids before planning a strategy.

The worst affected province is KwaZulu-Natal, where the infection rate among women attending prenatal clinics rose to 18.2 per cent, against the previous year's 14.4 per cent.

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A BETTER APPROACH TO BUSINESS

NEWS: ASIA-PACIFIC

Land sales will leave Japan with another big debt problem

Tokyo's asset price crash has undermined one of the cornerstones of rail privatisation. **Gerard Baker** assesses the consequences

One of the biggest land auctions in history begins this month, in the heart of one of the world's most expensive cities. Twenty hectares of prime real estate close to the Ginza shopping district, by the old Shimbashi railway station in central Tokyo, is to be offered for sale.

For the organisers it is critical that the auction attracts plenty of demand and they are leaving nothing to chance. They will allow bidders up to five months to express an interest and have even established an English language home page on the Internet in an effort to attract particularly welcome foreign interest.

The efforts are understandable. The land for sale represents just one small part of *perhaps the largest financial* problem the Japanese government has yet to tackle, a hitherto largely unremarked burden that dwarfs all the other potential liabilities it might have to face as it tries to dig the country out of the prolonged financial crisis of the last five years.

The land in question belongs to the Japan National Railways Settlement Corporation (JNRSC). In 1987 the Japanese public sector railway system was broken up as a prelude to privatisation. The old Japanese National Railways (JNR) was

Removal of debt seemed a good idea at the time

split into seven regional companies, to be sold off one by one over the next few years.

But if the companies were to be privatised successfully, one *very important figure had to* be taken out of the equation – the accumulated debt of the old nationalised system.

By 1987, the accumulated losses of JNR had reached a staggering Y37,000bn ($346bn). If the successor companies had taken on this debt, their privatisation would have been a non-starter – debt servicing costs alone would have rendered the companies hopelessly unprofitable.

Instead, the government hived off most of the debt to the new institution, the JNRSC, while the companies themselves were left with just Y11,600bn.

The removal of the debt *seemed* a good idea at the time. The broken-up companies were instantly relieved of their largest burden and could prepare for privatisation with healthy expectations of rising profits.

The new corporation would of course have the job of disposing of the debt. But in the late 1980s that did not seem to *present a problem either.*

JNRSC would raise the money partly through proceeds from the various privatisations, but mostly from sales of vast tracts of land handed over by the JNR companies. It took on more than 8,800 hectares of land from the rail companies, and expected to sell the land for about Y7,700bn.

But that was just a couple *of years before the end* of the "bubble economy", the period of rapid increases in asset prices at the end of the 1980s, a time of over-optimism.

The privatisation proceeds proved much smaller than expected. So far only a part of JR East, the largest of the successor companies, has come to market, raising just Y1,000bn. Sales of shares in the other *possibly profitable companies* have been repeatedly postponed. It is now hoped to sell another Y1,500bn this year, still well short of target.

But if the privatisation programme has been disappointing, the proceeds from sales of land have been disastrous. The JNRSC sold very little in the last year or two of the bubble period; then when it tried to sell, land prices collapsed.

The Shimbashi site provides a good illustration of the problem. In 1987 it alone was worth an estimated Y4,000bn. When the bids are in later this year, real estate analysts expect the land to have fetched perhaps a fifth of that figure.

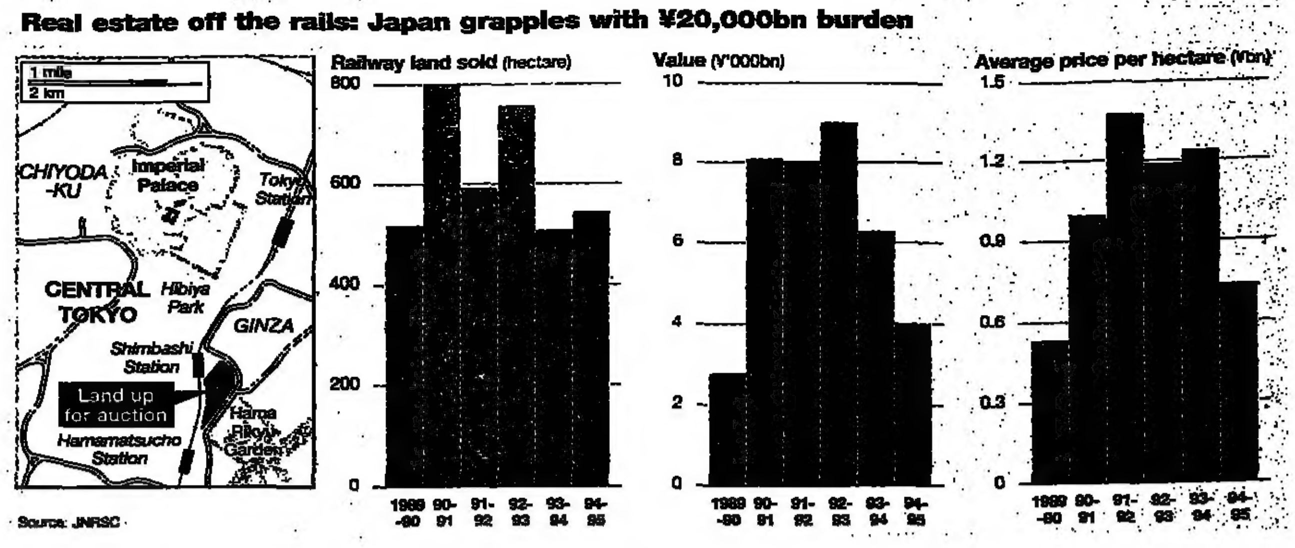
With that pattern repeated in other sales, the sums are bleak for JNRSC. It was initially intended to recoup almost Y8,000bn from land sales; now it expects to get no more than Y4,400bn, a figure most observers say is still unrealistically high. This adds up to a shortfall in its accounts of around Y20,000bn and rising. "There is clearly no realistic prospect of our reaching the targets set for us," says JNRSC.

The ultimate problem lies not with the managers of the JNRSC, of course, but with the taxpayer. In order to allay potential investors' fears about the burden of debt in the event of problems with disposing of it, the government agreed that it would meet the difference between proceeds of sales and the final debt figure. Even in 1988 that figure was expected to be over Y13,000bn. The new figure of Y20,000bn represents 4 per cent of Japan's gross domestic product.

Given the dispute over the decision to spend a small fraction *of that on the liquidation* of the country's housing loan companies, there might be some difficulty in winning popular consent for such an expensive project.

But there is unlikely to be an alternative. Unlike the housing companies, there will be no other scapegoats able to take on the debt. With the self-imposed deadline for final settlement by next March looming, there will be yet more difficult political decisions to be made in the next year.

Real estate off the rails: Japan grapples with ¥20,000bn burden



Source: JNRSC

BJP faces hard task to muster majority

By Mark Nicholson in New Delhi

Who knows? India's new BJP prime minister in enigmatic mood arriving at his office yesterday — Reuter

India's first Bharatiya Janata party (BJP) government took a *ceremonial step towards power* yesterday as Mr Atal Behari Vajpayee was sworn in as prime minister, along with 11 ministerial colleagues.

Mr Vajpayee is expected in the next few days to allot portfolios among his 11-member cabinet, which includes one woman, a Moslem, a Sikh and a member of the Shiv Sena party, the BJP's close Hindu nationalist ally.

However, Mr Vajpayee faces a tougher next step in turning the BJP's status as the biggest single party after last week's elections into a parliamentary majority by May 31, the deadline set by Mr Shankar Dayal Sharma, India's president. At present the party and its declared allies are more than 70 seats short of a majority.

To succeed, the BJP must change the pledged allegiance of several regional and secular parties which united this week under the leadership of Mr H D Deve Gowda, the Janata Dal party chief minister of Karnataka state, to launch a rival bid to form Delhi's next government. Privately one BJP strategist admitted the BJP had "taken a big risk".

Mr Gowda's grouping claims the support of 180 MPs as against 195 for the BJP and its allies. But both Congress, with 136 MPs, and India's communist parties have promised to back the group.

A team of five BJP leaders has been trying to persuade regional parties from Tamil Nadu, Andhra Pradesh and Assam states, along with other smaller parties, to shift camps.

Party strategists said they were offering to meet these parties' chief concerns by promising that a BJP government would pass laws to make it harder for the central government to dismiss state administrations, while offering to alter the proportion of centrally collected taxes paid to the states.

BJP officials also said they would "soft-pedal" the BJP's more controversial religious policies, such as its call to build a Hindu temple on the site of the Babri Masjid mosque at Ayodhya, which Hindu zealots ransacked in 1992.

But should the party fail to win overt defections before May 31 there were indications it would try at least to engineer a successful vote of confidence in parliament.

A party official quoted in the Times of India said the party would try to ensure "at least 30 MPs from hostile parties" were "absent" from the vote. "After that we will have at least three months to secure a majority," he was quoted as saying.

Meanwhile, the defeated Congress party looked to be positioning itself to profit from the defeat of the BJP – which it hopes to help secure – and from possible disintegration of the secular-regional party coalition which it believes might then soon follow.

A former Congress minister said he was confident the BJP would fail to win the support of most regional parties, but suggested a secular-regional coalition government would prove too fractious to last. "*They all know that even if* they form a government after May 31, it will be very precarious."

Congress leaders have been making the case to defected party members and leaders of the Janata Dal and other parties "which have no real differences with us", *that the only* way to check the "threat" of a BJP government would be by joining Congress in what he called "a grand re-alliance".

ASIA-PACIFIC NEWS DIGEST

Pressure grows to re-elect Ramos

Speculation on whether Philippines President Fidel Ramos might run for a second term intensified yesterday when his congressional supporters initiated moves to lift constitutional curbs on elected terms of office.

Mr Ramos, who under the 1987 constitution is permitted only one six-year term, is due to relinquish office in two years. But his supporters are encouraging him to run again by moving to scrap the single-term clause. The proponents of a second Ramos term include 36 congressmen who yesterday *filed a bill to turn the legislature into a constituent assembly* with powers to change the 1987 charter. His supporters have already sent questionnaires to 1m voters asking whether they approve a change in the constitution.

Mr Ramos, 68, promised last year to put the issue on the "back burner" until the administration's economic reform programme was fully in place. But he stoked up speculation last week when he said he would be "good beyond 1998... in whatever capacity".

Officials close to the president, including Mr Ruben Torres, executive secretary to the cabinet, yesterday declined to rule out the possibility of another Ramos term.

The change, which would require the electorate's approval of the electorate in a referendum or a majority vote in a constituent assembly, would almost certainly unleash controversy 24 years after President Mr Ferdinand Marcos, the late dictator, amended the constitution to perpetuate his hold on power. the presidency.

Senator Juan Ponce Enrile, who was President Marcos's defence secretary in 1972, this week reiterated his support for an amendment to the 1987 constitution. Mr Enrile and Mr Ramos, who were both prominent members of the late dictator's security apparatus, were instrumental in overthrowing President Mr Marcos in the 1986 "people power" revolution. *Edward Luce, Manila*

Japan sees fewer bankruptcies

Fewer Japanese companies are going out of business, according to the latest monthly survey of bankruptcies issued yesterday. In April, 1,159 companies closed, down nearly 11 per cent on April last year, the third monthly decrease in a row, said Teikoku Databank, an independent credit research agency.

The decrease is broadly spread: manufacturing bankruptcies fell 11.7 per cent, while property company collapses were down a fifth and wholesalers by 17.6 per cent.

But Teikoku warned that the overall improvement is not as great as it appeared because bankruptcies were unusually numerous in April 1995, when there was a chain reaction of collapses of banks and credit associations in the Kansai region, western Japan. Corporate collapses will continue to run at more than 1,000 a month, as they have done for more than a year, for some time, predicted the agency. "The trend has become stable," it said. Of the total, just over 60 per cent of company bankruptcies were the result of poor sales, a sign that the pace of recovery, while broadly spread, is as yet moderate. *William Dawkins, Tokyo*

World Bank to fund sell-off

The World Bank will lend India $350m to help finance a novel power privatisation scheme in Orissa, one of the country's poorest states which has a serious shortage of electricity. Under the scheme, the state electricity board was replaced last month by two separate companies, Grid Corporation and Orissa Hydro Power, which are seeking private capital. The state has separately established a commission to regulate the industry.

This is the first such scheme in India and has attracted attention as a possible model for other states. The Asian Development Bank and the UK's Overseas Development Administration will also contribute $57m and $110m respectively. The funds will be used to upgrade the industry, improving its environmental performance and securing a reliable supply of power. This should make the state more attractive to foreign investors, the bank said.

Higher tariffs and improved collection will promote electricity conservation and improve the power industry's financial performance. The sector, hitherto a chronic burden on Orissa's finances, will become a net contributor to the state's budget from next year. *Peter Montagnon, London*

Taipei's OTC market soars

By Laura Tyson in Taipei

Ms Chang Yu-lian held her young son's hand as she bought shares listed in Taiwan's rocketing over-the-counter market yesterday. "My husband works so I take care of investments," she said, gesturing across the trading floor at scores of investors, mostly housewives and elderly men, watching share price displays at Shi Tai Securities.

Volume and prices on Taiwan's OTC exchange have soared to record highs this week as retail investors like Ms Chang, attracted by a flood of new listings and the entry of domestic mutual funds, have turned to the fledgling market.

The OTC, which has 60 listed companies, closed on Wednesday at a record high of 184.22. Volume hit T$7.68bn (US$282m), up from a record T$2.29bn on May 11 and equal to about one-seventh of that day's trading volume on the Taiwan Stock Exchange.

However, yesterday the market fell 9.89 points and volume halved to T$3.84bn following an announcement by the Securities and Exchange Commission, the regulatory agency, that a monitoring system would be put in place to prevent speculation. Details have not been published yet.

The OTC market has grown swiftly since September when it was restructured in a bid to develop the market. Among various measures, trading was computerised and a new system was introduced requiring brokerages to pay only deposits to the OTC exchange before trading, rather than having to pay for stocks in full at the time of purchase.

Foreign institutional investors were the first to see the potential of the revamped exchange, said Mr Yang Chao-jung, the exchange's head of trading operations. "Foreign investors have a longer-term perspective than local investors, so after we fixed some of the market's flaws, they came in. Recently a few local mutual funds have begun to invest. This has attracted the attention of ordinary [retail] investors," he said. Since last September's overhaul, when the OTC exchange listed fewer than 20 companies and trading volume was tiny, the exchange appears to have established itself as a viable market.

Mao's cultural revolution still wrapped in a cloak of silence

Thirty years on, its anniversary is a non-event, writes **Tony Walker**

Simon Leys, author of *Chinese Shadows*, a polemic about the excesses of Mao's China, had some useful advice a few years ago for China-watchers. Analysts, he wrote, must "carefully note all anniversary celebrations, all the non-celebrations of anniversaries and the celebrations of non-anniversaries".

China yesterday indulged in the "non-celebration" of one of its most controversial episodes. On May 16 1966 Mao Zedong launched what became known as the Great Proletarian Cultural Revolution with a directive calling for an assault on "reactionary bourgeois elements". That call ushered in a decade of tumult which brought China to the brink of civil war and forced the economy to its knees.

But 30 years later an official cloak of silence has been drawn across an event which ruptured millions of lives and whose aftershocks are still *being felt.*

No remembrances of the Cultural Revolution were recorded in China's official media yesterday. But it chose to mark the 400th anniversary of publication of a book on traditional Chinese medicine by a pioneering pharmacologist of the Ming dynasty. Academics have long been discouraged from discussing controversial contemporary events.

Mr Zheng Yefu, a sociologist and writer at China's Academy of Social Sciences, is one of those who believe public discussion would be useful. "If we had an open process of historical criticism, and here I am not talking about violent attacks on Mao, people would have a deeper understanding of what happened," he says. "But now, not only is it impossible to have a public discussion of Mao's historical deeds, it's virtually impossible to publish academic research about the Cultural Revolution period.

"Failure to address the past has serious consequences for the future... If you can't make a correct judgment or analysis about the past, how can you make choices about the future?"

Efforts by prominent writers such as Ba Jin to have a permanent memorial erected to the Cultural Revolution's excesses have also come to nought. Mr Ba, who is in his 90s, has long advocated establishment of a "Cultural Revolution Museum", arguing that "it is extremely important that we build this museum, for only by remembering the past can we be masters of the future".

Chinese officials maintain that reopening debate would serve no useful purpose and might be "destabilising". They argue the issue was dealt with definitively in the review of party history published in 1981. That document blamed Mao for "gross mistakes" but found his contributions to the revolution *far outweighed his errors.*

China's leaders make infrequent references to the cultural revolution and when they do, they tend to speak elliptically in the knowledge that the years of chaos were far from the ruling Communist party's finest hour.

Premier Li Peng said in February that while "tragedies had happened in this period, we must treat this part of our history with the correct perspective".

"On one hand," he added, "we must understand the historic background behind why these decisions were taken. On the other, we must recognise that many of the young people benefited through their struggle in the countryside." This was a reference to the practice of sending millions of urban youth to "rusticate" with peasants in rural areas.

While there is little disagreement among Chinese that the cultural revolution was an unmitigated disaster, there are many who argue some good may have come of it, if only by way of negative example. Liu Binyan, the dissident journalist who left China for the US in 1988, wrote in a recent Newsweek *article that* "most Chinese would probably agree that the reforms that began in 1979 under Deng Xiaoping would never have taken place without it".

Editorial comment, Page 19

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The 'mad cow' crisis World Health Organisation experts urge worldwide surveillance of new CJD variant

More WHO research urged on disease link

By George Parker and Deborah Hargreaves in London and Frances Williams in Geneva

International experts and public health officials said yesterday that more research was needed to establish whether there was a link between "mad cow" disease and the recently identified new variant of Creutzfeldt-Jacob disease in humans.

Speaking after a three-day meeting at the World Health Organisation to review the available evidence, Dr Joe Gibbs, the US co-chairman, said there was "no direct evidence suggesting a direct link" between the animal and human diseases. However, a link remained a "possibility".

The experts have asked the WHO to set up a worldwide surveillance system for CJD. Dr Gibbs said 11 cases of the CJD variant had been identified in Britain and one in France, although there were no obvious common factors.

Meanwhile the UK government yesterday quelled talk of retaliatory measures over the European Union's beef export ban, amid rising hopes that the ban would be partially lifted at Monday's meeting of agriculture ministers in Brussels.

Mr John Major, prime minister, said there was "every prospect" that ministers would agree to lift the export restrictions on gelatine, tallow and beef semen.

Yesterday the cabinet backed the patient approach taken by Mr Douglas Hogg, agriculture minister, who said he believed his negotiations were beginning to yield results.

The cabinet did not discuss possible contingency plans in the event of the ban not being lifted on Monday, despite the belief among some members of the governing Conservative party – including Mr Brian Mawhinney, the party chairman – that some form of retaliation could be popular with voters.

"There was no banging the drum," said one senior government official. "None of the people who want us to go to war on this issue said a thing."

Mr Malcolm Rifkind, foreign secretary, yesterday hinted that Britain might launch a Europe-wide advertising campaign to mobilise public opinion in favour of British beef, although Downing Street said later that plans were not well developed.

Britain believes it can secure enough support to secure an easing of the ban on Monday, despite the apparently implacable opposition of Germany, Austria and Greece.

Speaking in a Commons debate on the Common Agricultural Policy, Mr Tony Baldry, junior agriculture minister, said he was drawing up a scheme of advance payments to help specialist beef farmers whose cattle were caught in the slaughter queue.

Last night Mr Hogg met supermarket chiefs to talk about the BSE crisis as well as their decision to boycott slaughterhouses that were operating the government's cull. One or two plants could drop out of the cull but others would step in, an official said.

Animal welfare groups criticised the move by Tesco, the leading food retailer, to put ostrich meat on sale yesterday at 300 of its stores nationwide. Compassion in World Farming (CIWF) said the supermarket chain was "lighting the touch paper of a potential animal welfare disaster." Deborah Hargreaves writes.

Tesco believes the crisis over BSE and a growing taste for exotic foods should encourage consumers to try ostrich. However, at £7.99 ($12.14) for two steaks, it is not cheap.

CIWF said that, although Tesco is buying its ostrich meat from the US, it is likely to encourage ostrich farming in the UK. The group considers the farming of ostriches to be cruel. "After all, ostriches are essentially wild birds that are easily frightened and difficult to handle," it said. Tesco said its birds were reared to very high standards in the US and were culled to specifications in line with the US authorities and the European Commission.

Premier's behaviour baffles and astounds

Brussels Notebook
By Caroline Southey

There has been much bemusement in Brussels about the way the British government has handled the beef crisis so far.

In particular, the role played by John Major, the prime minister, has left many EU officials and diplomats at times incredulous, sometimes furious and often frustrated.

There is still disbelief in Brussels at the way the British government failed to anticipate the uproar that followed its announcement two months ago that "mad cow disease" could be linked to a fatal human brain disease.

"Two short sentences destroyed an industry," is the way one EU official puts it. "Dramatic yes, but also incomprehensible. Why didn't the prime minister address the nation on television? A determined statement that everything would be done to eradicate the disease would have calmed nerves everywhere."

But that initial error of judgment was to be followed by many more. There was that telephone call by Major to Jacques Santer, president of the European Commission, on the night it became clear that the EU would impose a worldwide ban on British beef. According to one account Major was "yelling at Santer. Shouting. It really was quite something".

The view that Major "seemed somehow to have lost control", in the words of one EU official, was further fuelled by the prime minister's behaviour at the Turin summit of EU heads of state a few days later.

"In Turin there was a good discussion with all the leaders present. Everybody accepted the need for solidarity. But as soon as Major left the room he told the press the ban would be lifted the following Monday. It didn't reflect that had happened in the meeting at all," the EU official said.

Eyebrows were also raised at the summit on nuclear security in Moscow nearly three weeks later, where Major called "the top brass", including Chancellor Helmut Kohl and French President Jacques Chirac, to a meeting at midnight in the British residency on the Moscow river.

The EU official said: "It is admittedly a beautiful residence. But to call them in at that level at that time of night for that sort of issue was unbelievable. What could they decide?"

But the greatest frustration has been London's dogged determination that the EU must agree to lift the ban before it will take drastic measures to reduce incidence of the disease.

"We said all along – don't make the link. It will only be negative. But it has been the blind spot since the beginning," the EU official said. "It is as if Britain is saying: 'We will do you a favour (by implementing certain measures) if you are nice to us'. It has infuriated people. After all we didn't create the problem. And we are going to pay for it."

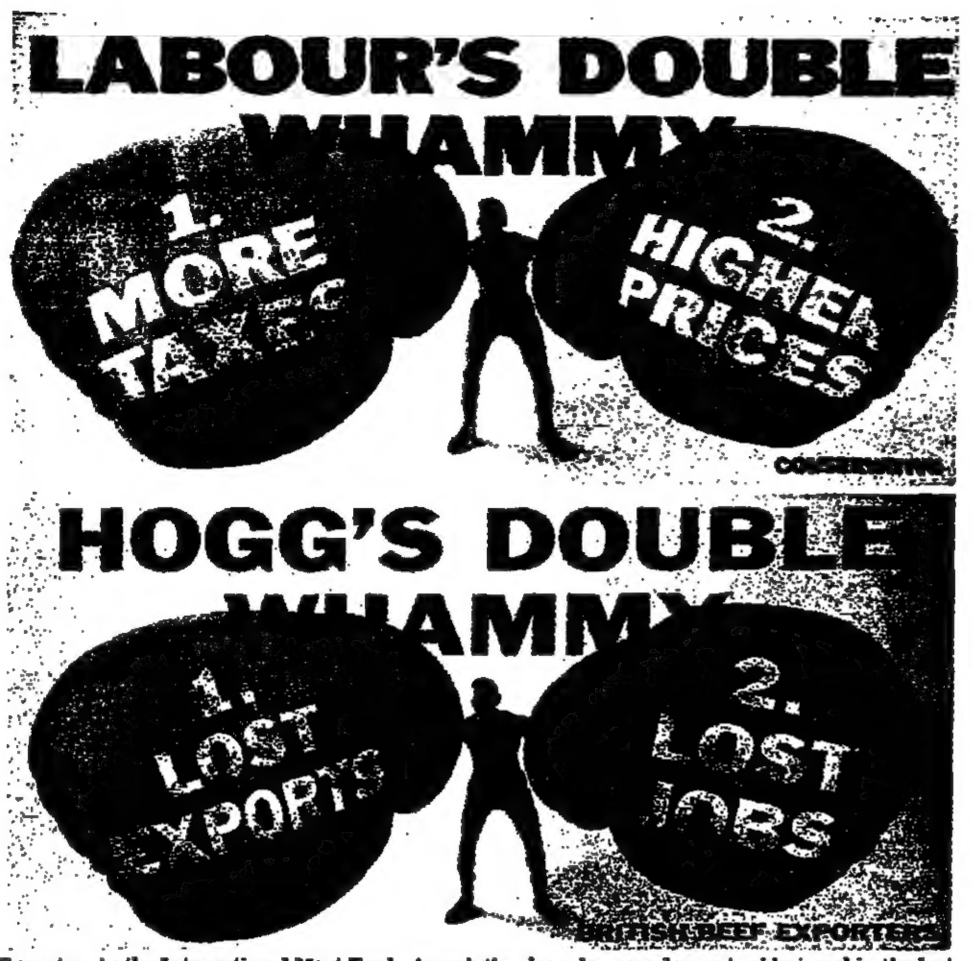
Evidence that "linkage" is still playing a part in Britain's approach emerged this week when EU veterinarians again demanded details of the government's plan to cull cattle with BSE. "The only possible explanation that it remains unsighted is that there is a cabinet struggle over tabling it. Some are arguing it should be held back until the ban is eased," an EU diplomat said.

EU officials believe that "linkage" has played into the hands of the anti-Europeans in the cabinet. "We have been advising the British government just to shut up. To get on with taking the necessary remedies. But some seemed to think it was politically more profitable to have a row. The issue became a political football," the EU official said.

It is that more than any other aspect of the crisis – including the cost which could run into billions of Ecus – that has angered Brussels. One EU official believes "something has been unleashed in Britain. There is no doubt this will leave a deep scar in European/British relations".

He added: "The images and language used in the British media have been ugly. The picture of Europe that has been portrayed is horrible. It is reminiscent of wartime."

On a longer term view the present crisis merely mirrors Britain's historically awkward relationship with Europe. Nevertheless, as one diplomat says, relations between the two are "entering dangerous territory".



Exporters in the International Meat Trade Association have borrowed a poster idea used in the last general election campaign by the governing Conservative party against its Labour rivals. The top poster above was used by the Conservatives to illustrate what they said would be blows inflicted on the electorate by a Labour government. The Conservatives won the election. The bottom poster is being used by exporters to illustrate what they claim are the effects of the beef policy of Mr Douglas Hogg, the present Conservative agriculture minister. The association is now threatening a legal challenge against the UK government if it does not provide immediate financial aid for exporters which have lost business because of the beef crisis.

Prices of lamb and pork leap in shops

The price of beef sold in British shops hardly fell in the past month in spite of the "mad cow" scare, our Economics Correspondent writes. But prices of lamb and pork surged, and poultry edged upwards. The impact of the beef scare was to push the overall inflation rate upwards by some 0.06 percentage points.

The trends, revealed in official data yesterday, may surprise some farmers in light of the apparent collapse in beef demand at the start of the scare. But the Office for National Statistics said the price profile over the month suggested that, while shop prices had fallen sharply immediately after the scare, they rebounded fairly soon afterwards.

The office collects its price data on the 16th of each month. When it collected its data in March, shortly before the beef scare, beef prices were running at an index level of 138.2 with 100 representing the level at the start of 1987.

In early April the prices fell sharply, according to the industry. However, by April 16 – the time of the next survey – the index had rebounded to 134.8. This was 2.5 per cent lower than in the previous month and 3 per cent higher than in the same period in 1995.

But in spite of the modest scale of the beef price fall, the shops took advantage of the scare to push up other meat prices. Home-killed lamb prices rose nearly 17 per cent in the month, and were 20 per cent higher than a year before. Meanwhile pork prices were 10 per cent higher and 26 per cent up on last April.

Business welcomes official curbs on EU regulations

By James Harding and Michael Cassell

The government yesterday sought to answer the complaints of business and Eurosceptic MPs by issuing guidelines to ensure that Whitehall did not "over-implement" European regulations.

Mr Roger Freeman, public service minister, set out guidelines called "Implementing European Law" designed "to assist ministers and officials in avoiding any over-implementation of EC legislation".

Business organisations, which have consistently claimed that over-zealous interpretation of EU directives by UK officials has placed an additional burden on UK companies, gave the government initiative a warm welcome.

The decision follows vigorous campaigning to end the so-called "gold-plating", which industry claims is particularly harmful to small businesses.

Separately, senior members of the governing Conservative party will today put the government under further pressure to distance itself from rules imposed by Brussels, by demanding that most EU directives should not have legal force in the UK.

The European Research Group, which includes senior Tories, is expected to make the proposal as part of a programme of suggested reforms of the European Court of Justice.

At a private conference to be opened by Mr Michael Howard, the home secretary, the group of Conservative MPs is likely to agree that most EU directives should no longer be deemed to have direct effect on the UK, freeing national courts from their obligation to apply directives.

Yesterday Mr Freeman, responsible for the government's deregulation initiative, reasserted the UK's commitment "to implement EC legislation in a way that fully meets our legal obligations". However, he has developed a checklist so that new regulations impose "the least possible burden on business and others affected".

The checklist includes requirements on ministries to ensure that the directive is not covered by existing domestic law, that the substantive requirements are not elaborated on by officials, that the monitoring authority is clearly identified and that the minimum necessary sanctions are involved.

Mr Peter Agar, deputy directorgeneral of the Confederation of British Industry, Britain's largest employers' lobby, emphasised that business would be anxious to ensure that the proposed checklist would be effective.

Mr Tim Melville-Ross, directorgeneral of the Institute of Directors, said the move demonstrated that the government was listening to the concerns of UK business and "by doing so they will help to reduce compliance costs and ensure that UK firms are competing on a level playing field".

The IoD has repeatedly complained to Mr Freeman that it was unfair small businesses should have to comply with rules not enforced among their competitors.

Marketmakers update retail service

By Norma Cohen in London

Two of the UK's largest marketmakers are launching automated trade execution services to bolster their share of the increasingly competitive retail stockbroking market.

Barclays de Zoete Wedd, the investment banking division of Barclays Bank, and Smith Brothers Brokers Services, the UK private client arm of US-based Merrill Lynch, have unveiled products designed to execute orders from stockbrokers at the flick of a switch.

BZW, which for years has offered an automated system called TRADE, is relaunching its service so that customers may receive it through a Windows-based system using existing broker screens from ICV, the computer group, or Reuters.

Smith Brothers is aiming to introduce its new MAX service from the end of June, also available through ICV screens. There is no charge for the clients. "We create profit out of order flow," explained Mr Derek Riches, managing director of Smiths Brothers Broker Services.

Retail order execution in the UK has remained largely manual, unlike in the US where automated execution systems are commonplace. But with competition among private client stockbrokers forcing them to pare their charges, companies are looking for ways to improve profit margins.

Trades for private client stockbrokers accounted for 61 per cent of transactions on the London Stock Exchange in 1995. Smith Brothers and BZW dominate the market for retail orders, controlling over half of all business.

"Marketmakers have relatively high costs in relation to processing and settling retail bargains," said Mr Richard Balarkas, a director at BZW. "If you are going to be in the retail market then costs must absolutely be reduced. You have got to scoop up a lot of bargains to make the business pay," he said. The advent of low-cost execution-only stockbrokers, which charge less than £10 per bargain for deals, has increased pressure on marketmakers to keep their own costs down.

To guarantee high volumes, market makers need to make their dealing systems as cheap and user-friendly as possible. "People still love the telephone and will continue to do so for some period of time," said Mr Riches.

Automating the dealing process will cut costs for stockbrokers by reducing the paper flow and staff. Also, they no longer need professional traders to telephone market makers trying to place a customer's order. "They can use relatively junior staff without trading skills but with excellent customer relations skills," he said.

Both systems offer features allowing the stockbroker to ensure that the price the client receives is as good or better than the "best" price displayed on the stock exchange's Seaq electronic bulletin board.

They also allow for non-standard settlement periods. Retail clients often have difficulty delivering securities or arranging payments within the standard five-day period after a bargain is struck. The systems will also link with Crest, the new automated share settlement system, and to the client's back office.

Mail staff may strike against $15,200 basic wage

By Andrew Bolger, Employment Correspondent

Britain may be heading for its first national postal strike for nearly a decade – but neither the management nor the union at the Royal Mail offshoot of the Post Office relishes the prospect of an all-out confrontation.

The 140,000 members of the CWU postal workers' union started voting this week in a ballot on strike action, and the result will be announced on June 2. Mr Alan Johnson, the CWU's moderate joint general secretary, has said a stoppage would be "almost inevitable" after the breakdown of long negotiations about pay and the issue of teamworking, which requires more flexible working and sharing of responsibilities.

The union and management have been discussing several proposed changes for 11 months. Mr John Roberts, chief executive of the Post Office, insists: "It would be extraordinarily foolish for both sides if we did have a strike."

The union's decision to break off negotiations reflects deep shop-floor resentment over the way pay restraint in the public sector has held down settlements over a period when Royal Mail has achieved record profits. Royal Mail boasts that its productivity has grown by 32 per cent over the past 10 years – nearly five times more than the comparable productivity gain in service industries.

But Mr Johnson says that 86 per cent of postmen and women still work a six-day, 41.5-hour week for a basic annual wage of less than £10,000 ($15,200). "Our members are at the end of their tether," he says. "Royal Mail will hit record levels of profit, performance and quality again this year. The workforce deserves a share of this success."

Union chief Alan Johnson: mail strike "almost inevitable"

The politics of privatisation continue to loom large over the industry. Royal Mail has seen an upsurge in disputes in the two years since the government abandoned its plans for privatisation. It was no coincidence that reports of the possible national strike were followed by the news last week that senior members of the governing Conservative party had revived plans to include a pledge to privatise the Post Office into their manifesto for the next general election.

The union and managers are aware of the potential dangers to their business of a long-term dispute. The last UK national postal strike – in 1988 – greatly increased the penetration of fax machines into office life. A recent French postal dispute also caused the permanent loss of a significant chunk of business to private and electronic competition. Mr Roberts said: "Competition is now much greater. If we have a strike for a significant length of time, our customers have got so much more choice."

One obvious potential victim of a strike could be Parcelforce, the Post Office division which delivers 400,000 parcels a day. Along with Post Office Counters, the retail division, it would not be directly involved in a Royal Mail strike, but the public are unlikely to make such fine distinctions and managers expect that any national mail dispute would have a bad effect on the parcels business.

Parcelforce is expected to break even this year after five years of successive losses, but a big drop in traffic could threaten the jobs of the business's 12,000 employees.

The CWU commands considerable loyalty from its members and it is likely that the union will be given a mandate to call a strike. Post Office managers are bracing themselves for a vote to hold one.

UK NEWS DIGEST

US microchip plant to expand

National Semiconductor, the US microchip maker, yesterday unveiled a plan to upgrade its only European semiconductor plant – at Greenock in Scotland. It will invest an initial $50m in the coming year which it anticipates will comprise the first phase of a $270m investment over the next three years. Full implementation of the plan depends on continuing support from the parent company in California and on assistance from the UK government, said Mr Bruce Diamond, the plant's managing director.

The Greenock plant supplies analogue chips for use in products such as cars, computers and TV and audio systems. Mr Gerry Edwards, operations director, said that although the world market for microchips was currently flat, an upturn was expected by the end of the year.

The $50m investment at the 350,000 sq ft Greenock plant, which has been operating for 25 years, will not create any extra jobs in addition to the 1,900 strong workforce. No government financial assistance is currently being sought.

Scotland's electronics industry employs about 55,000 people mostly in US and Japanese-owned plants. Motorola of the US employs about 3,000 people in two semiconductor plants where a £250m ($380m) investment was recently completed, and NEC of Japan is currently building a new £530m plant, raising employment to about 1,300. *James Buxton, Edinburgh*

Inflation data lift for consumers

The cost of living for tax payers fell sharply last month, as the last Budget's tax cuts took effect in April and mortgages became cheaper. The drop left the annual inflation rate in the tax and prices index – which includes tax payments, services and goods – showing the sharpest monthly improvement for 10 years.

The improvement should boost consumer spending power – particularly since wages are now rising faster than prices. This will be welcome news for Conservative politicians, who are pinning their election hopes on return of the "feel good" factor later this year.

However, other elements of the inflation data were less comforting for the government, which made no progress in moving towards its own inflation target. Measured overall, the Office for National Statistics said that the retail prices index, which excludes taxes, was 152.6 in April, with 100 representing the level of prices at the start of 1987.

This left the annual inflation rate at 2.4 per cent – sharply lower than the previous month's rate of 2.7 per cent, and the best figure for 18 months. But the underlying rate of inflation – which excludes mortgage interest payments – was 2.9 per cent, unchanged from the previous three months.

The difference in the two trends arose because of improvements in mortgage costs due to previous changes in home loan interest relief and lower interest rates. *Gillian Tett, Economics Correspondent*

Annual report a 'back-up'

Finance directors at Britain's top companies think informal talks with analysts and preliminary, interim, and final results announcements are far more important in communicating with the City than the annual report and accounts.

The FDs, representing 50 per cent of the value of the FTSE 100 companies, believe informal communication with the City helps underpin a "no surprises" culture in which the share price is protected by disclosing good and bad news.

But Mr Richard Barker, the academic who interviewed 40 FDs at top companies, believes the report and accounts are valued as helping to underpin the credibility of financial information. "It is the dog that doesn't bark," he said.

Mr Barker said that his research surprisingly reveals that FDs hold "leading analysts" in high regard and that as a whole the City is not seen as short-termist. FDs believe shares are fairly accurately valued as a result. *Jim Kelly, Accountancy Correspondent*

Jersey investment funds record

The total value of investment funds based in Jersey rose by 14 per cent during the first quarter of this year. The £3.4bn ($5.16bn) increase was achieved through a net inflow of £1.4bn additional monies and a £2bn growth in the value of the funds themselves, thanks mainly to rising equity markets. The total of the 310 funds based in the island was a record £27.8bn at the end of March, which represents a 32 per cent increase over the past 12 months.

Of the new money invested during the first quarter £330m has gone into equity funds, including £170m in far eastern funds and £70m in European. Emerging markets in India, the eastern bloc and South America have also proved popular with fund managers, according to Mr John Pallot of Jersey's Financial Services Department. During the same period the amount invested by Jersey fund managers in the US fell by £100m, a move that Mr Jonathan Overland, of the Jersey Fund Managers Association, sees as a correction on the back of some very strong recent rises. *Philip Jeune, Jersey*

Royal Ordnance wins Army order

Royal Ordnance, the ammunition and gunnery subsidiary of British Aerospace, has been awarded an £80m ($121.6m) contract to supply mortar ammunition to the British Army. The contract helps secure around 400 jobs at the company's factories. The deal was won by RO against international and domestic competition. RO has sold its mortar launcher to 20 countries worldwide, including the US, and would have had difficulty in continuing to win export orders if its domestic customer had defected. *Bernard Gray, Defence Correspondent*

Worry over literacy mounts

Concern mounted over standards of literacy yesterday, as a survey revealed that three in five teachers claimed to have received no in-service training in how to teach children to read and write.

The survey, carried out by the Basic Skills Agency, a government body, follows surveys by the same body suggesting that up to 30 per cent of young adults had insufficient basic skills in literacy and numeracy. The survey also found that school children were worried about their literacy, with 40 per cent saying they had difficulties with spelling and punctuation. *John Authers, London*

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At Bankers Trust we enjoy an acknowledged position of leadership in the world of international investment banking. Committed to a programme of change and growth, this position is maintained by adopting state-of-the-art IT systems which will drive our businesses even further forward. Nowhere is this more true than within our Corporate Systems division where the implementation of a major General Ledger system, initially in London, has created outstanding career opportunities.

As an integral part of a global team, responsible for supporting a critical Sybase database within our General Ledger systems, you will be an established Database Administrator, highly motivated and capable of maintaining focus within a dynamic environment.

The role is...

- to support and maintain a large Sybase (v.10) database (including server and database installation/upgrades)
- to take responsibility for daily monitoring, application and performance tuning, disaster recovery planning
- to perform administration and maintenance tasks within Unix (including shell-scripting, security implementation and monitoring)
- to play a key role within the selection and implementation of packages and solutions for the team.

You will be ...

- a proven Sybase DBA with at least two years' relevant experience plus exposure to logical and physical database design
- an established Unix professional with administration and shell-scripting skills
- flexible, resourceful and comfortable working in a *dynamic team environment*
- looking for a demanding role where your technical and interpersonal skills will be stretched to the full.

For further information, please contact Kevin Davey on 0171 247 7444. Alternatively, send your CV, quoting *reference number BTFT89, to McGregor Boyall* Associates, 114 Middlesex Street, London E1 7JH. Fax: 0171 247 7475. email: kdavey@mcgregor-boyall.co.uk

McGregor Boyall

Bankers Trust Company

Ermitage Management (UK) Ltd.

PC Analyst/Programmer

London **£18-27K**

The Ermitage Group is an international fund management house with around $500 million under management. The Group has offices in the UK, Jersey and Luxembourg. Travel to these offices may be required.

We are looking for a PC analyst/programmer with at least 1-2 years experience in the financial industry. The role will entail a mixture of support of existing systems and development. The successful candidates's background should include experience in database languages, preferably Paradox with some exposure to Delphi. Any *experience in Novell and general MS Office packages would be of benefit.*

Skill set in order of importance is as follows: *Paradox for Windows; Paradox for DOS; Delphi; Novell Netware 3.12 and MS Office Packages (Word/Excel/Mail).*

To apply please send your CV to
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We look forward to hearing from you if you have the ability and the experience to make an impact and want to be part of a growing organisation in which talent is recognised and rewarded. Do not hesitate to telephone to discuss the roles further (0171 379 3333) or 0171 589 0989 (24hrs) alternatively send your CV to **Martin Phillips** or **Keith Jones** at Robert Walters Associates, 10 Bedford Street, London WC2E 9HE. Fax no: 0171 304 4131 E:Mail: martin.phillips@rwa.co.uk

JPMorgan

هكذا من الاصل

RECRUITMENT

JOBS: Hard measures have their place but recognising quality takes softer skills

Bringing out the best in Joe DiMaggio

Ever since Frederick W. Taylor discovered late last century that it was possible to examine work systematically, the principles of scientific management have formed the bedrock of countless personnel procedures. Once managers discovered that human effort could be broken down into constituent parts, they began to measure it.

Taylorism took personnel management away from the heart and into the head where it has remained ever since. In spite of the lure for many personnel managers of so-called soft issues – such as family friendly policies, equal opportunities, career development and stress counselling – the chief executive and the finance director largely remain focused on hard realities.

It seems that every time a company chief becomes attracted to the human side of human resources, the spectre of the bottom line distracts him.

When that happens, employees once more become resources – or not even that. They may be what the hyperbole describes as assets but what the profit and loss account suggests are liabilities. So when a human resource head is saying people are the organisation's greatest assets, he conceals an unwritten message which says: "But, potentially, they are also our biggest liabilities."

It sometimes seems that, if people could be removed from production, it would make a lot of managers very happy and, of course, redundant. But companies still need people and, in spite of the trend towards the decision-making worker, they still need other people to run them, pay them and measure them.

The measurers seem busier than ever. Today they are benchmarking. It is a trendy name for comparing things, be it processes in one organisation with those in another, or processes within a company.

Once you start benchmarking, it can become obsessive, a science with a fascination all of its own. Ask sports enthusiasts. Statistical comparisons have defined performance in cricket and baseball for years.

If you look at the bald statistics of baseball – most hits in a career, most home runs or most consecutive hits – you find some great players but you have to use more subtle measures to sift out the greatest player of them all.

Joe DiMaggio featured in none of the above feats but he made a hit in a record 56 consecutive games for New York Yankees, a measure of consistency of excellence that no-one has come close to equalling.

DiMaggio didn't hit because of a performance bonus or because of his benefits package or because he was looking after his pension. He did it because he was good at it. All the benchmarking in the world merely shows that no-one else has managed to match him.

Today, the sports statistics are moving into other areas. In soccer we are told how many corners are conceded, how much possession has been enjoyed, how many fouls, how many shots on goal. Eric Cantona hardly touched the ball in 90 minutes of a dreary English FA Cup final on Saturday.

But those touches included two deft flicks, a jinking run and a marvellous goal that won the match. Had he been benchmarked for effort, his place might have been taken by someone on the substitute's bench.

Some human resource departments measure the average length of time it takes to fill vacancies, look at the proportion of vacancies filled internally and the average time spent in a job. But these measures do not look at the effectiveness of the individual in the job. Some apportion training days across the board but do not assess individual needs.

Karen Moloney, a psychologist and partner with Moloney & Gealy, which advises companies on performance measuring, says that one danger of measuring is that, once the results are known and standards set, employees tend to concentrate their efforts on the measured task.

"You find that what gets measured gets done and that what gets rewarded gets done," she said, adding that, while the hard measure may have its place if a business knows why it needs the measure, there is also merit in looking at soft measures such as the use of employee satisfaction questionnaires to assess workforce morale.

She found it was possible to measure subjectivity when she studied ways of assessing aesthetic ability. "If you get a group of art experts, you find there is a high correlation about what they agree is good art and what is bad art," she said.

Measures on these lines are used by First Direct, the telephone bank. It is not simply interested in telephone answering rates even though call rates are logged. It needs to know that telephone inquiries are dealt with effectively and sympathetically. Calls are monitored to assess tone of voice and response so that the human touch does not go missing. It is looking for quality of service.

What sense is there in imposing crude answering quotas on people when part of their job may involve giving advice or performing a special service? Last year in India, I stayed at the Taj Mahal hotel in Bombay. I arrived on the Sunday evening with not one appointment for the next day but just one or two names I had gleaned from research.

I asked the hotel telephonist if she knew the numbers of any of the names. She not only found the numbers but connected me with them and, within half an hour, I had six appointments for the day. You remember that kind of service.

It is why I tell people that the Taj Mahal is a great hotel. Benchmarking may well have an important role but, as Moloney would attest, it should be applied thoughtfully.

Moloney was among 300 delegates, speakers and exhibitors confined last weekend on the P&O cruise liner M V Victoria which sailed out of Southampton with no particular destination and with no other aim than to provide a convivial forum for discussion on HRM issues. Delegates were individually invited and did not pay for their meals and accommodation.

Exhibiting businesses, however, paid something like £12,500 for a team of two to set up stall in one of the lounges. The combination of a captive audience, a location out of mobile telephone range and a computerised appointments system was designed to give sellers the chance to corner the sort of people who would take the decisions over buying their services. The concept has been developed by Richmond Events, based in Richmond, Surrey, but this was the first time it had applied the method to human resources.

The on-boat service took its traditions seriously. The meals ran to six courses and the crew outnumbered the delegates. It included some 200 staff recruited from Goa on the west coast of India.

My cabin steward said he was paid 10,000 rupees a month (about £190) and worked the equivalent of seven 10-hour shifts a week for nine months. He gets three months unpaid leave to spend with his family in Goa. The pay is paltry by UK standards but what is the alternative for the thousands of Goans who crew the world's cruise liners?

Crewing levels were the subject of some discussion although most of personnel managers at the conference appeared to be too occupied with their roles in corporate downsizing programmes, usually in the name of restructuring or re-engineering.

One of them confessed, quite openly from the floor of the conference: "I did it once. I did it a second time but, when I was asked to perform the exercise a third time, I went myself. I couldn't take any more."

Now Stephen Roach, a leading economist with Morgan Stanley in the US tells us he has had second thoughts after propounding the theories of downsizing for several years. It is not the first reversal of a management theory. Cutting staff to create profit is easy but few worthwhile profits were ever earned easily.

Richard Donkin

Financial Analyst

Multinational Investment Group

Our client is a subsidiary of a major multinational commercial, industrial and financial enterprise. Based in London, this key team services the Group's activities, through monitoring and administering the Group's investments in the UK and throughout Europe, Australasia and Far East. It is now looking to recruit a resourceful financial analyst who can offer excellent analytical abilities together with strong interpersonal skills.

The successful candidate must be able to satisfy the following criteria:–

- At least three year's experience in investment analysis.
- Good degree and/or relevant qualification.
- Fluency in Arabic with French an advantage.
- Literacy in Lotus and wordprocessing packages.
- Ability to quickly learn, assimilate and retain information.
- Flexible and diplomatic approach to work – there will be regular contact with senior executives at all levels.
- Good presentational and report writing skills.

The role will involve the analysis of both quoted and unquoted companies, as well as property and other investments. In return, the company offers an attractive salary, together with a multicultural, meritocratic and stable working environment. The successful candidate must be capable of developing skills in equity and derivatives trading.

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THE ROLE

- Responsible to the Marketing Director for developing product propositions for individual banking and corporate markets involving both the development of new products and the enhancement of existing ones.
- Working closely with IT development and sales teams to ensure that products enjoy successful conception, development, implementation and operation.
- Building effective relationships with customers and suppliers. Playing a leading role in planning market entry and development strategies in conjunction with the Market Strategy Manager.

THE QUALIFICATIONS

- Top flight graduate with a well-developed understanding of international payment and cash management from a corporate or bank treasury, management consultancy, software house, added-value service provider or banking trade finance
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Reporting to the Head of Research, the Equities Research Accountant will:

- act as a centre of expert knowledge to clients, analysts and sales people on accounting and taxation issues;
- highlight changes in accounting standards and advise on the accounting consequences of different corporate structures;
- provide advice on the valuation of companies and the merits of different financial appraisal methods;
- contribute to the design, development and implementation of the corporate database and enhance the use of external data sources within the business.

Candidates will be graduate chartered accountants who combine a deep interest in and understanding of historic and current accounting issues, with an ability to write fluently, in a manner commanding attention, about new developments of relevance to the investment community. Candidates will be IT conversant and will be comfortable making public presentations on complex issues. Personal qualities will include maturity of judgement, a strong personal presence and highly developed influencing skills.

This senior role offers an excellent opportunity for a suitably qualified individual to join a leading Equities team with good career development opportunities. Salary will not be a limiting factor.

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Candidates are likely to be graduates and ACIB qualified. They must have formal credit training, strong credit skills and at least three years' experience of developing business relationships at Finance Director or Treasurer level. A sound understanding of corporate banking products and the relevant documentation is essential. Excellent interpersonal skills, commercial acumen, sound judgement and enthusiasm are prerequisites. Candidates must also be competent German speakers.

This is an excellent opportunity to join a major European financial institution which can offer both a competitive remuneration package and career development potential.

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Development Capital Manager - Direct Investments CIS/Eastern Europe

International Investment Management Organisation seeks experienced individual to develop direct investment products in Eastern Europe, principally in CIS. The successful candidate will be based in London but will be required to travel frequently to Eastern Europe and will work closely with multilateral organisations such as the EBRD and Know-How Fund.

Candidates must have:

- First-hand experience working in industry/commerce in Eastern Europe, preferably in the CIS;
- A strong understanding of political and cultural issues involved in investing in CIS/Eastern Europe;
- The ability to converse fluently in English and Russian or another Slavic language (German or other associated languages would also be an advantage);
- Knowledge of the working of multilateral organisations;
- A strong educational background including MBA qualification. Some previous securities experience would be advantageous.

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You will have already gained direct fund management experience in European investments, and have progressed to a global investment management position, responsible for asset allocation on a global basis.

This position offers a challenging and exciting opportunity for a mature and self-assured manager, keen to take on a key senior role and be in a position to influence the longer-term strategies for the development of the Bank's investment management business.

In return you will be offered a highly competitive salary, a discretionary performance bonus and a generous benefits package reflecting the importance of this appointment.

In the first instance, please apply in confidence and in writing, with full CV including details of current salary, to Brian Withers, at Withers Wood Brigdale Limited, Kent House, Market Place, London W1N 7AJ. Only applications received by close of business on 31st May will be considered by our client.

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Associate

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QUALIFICATIONS
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Computer literacy is an integral part of this role. Successful individuals will be familiar with quantitative software, and will preferably possess advanced programming language skills. A strong interest in the behaviour of capital markets is a must.

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JPMorgan

INVESTMENT MANAGER

Equities *Edinburgh*

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The company currently seeks to recruit a young Investment Manager with around three years experience to manage the Japanese portfolio within its flagship Investment Trust.

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Managing Consultant – Frank D'Arcy.

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Managing Consultant – Malcolm Thompson.

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THE POSITION:
The successful applicants should have acquired experience in trading, with an emphasis on its particular market. The primary focus of the job is to enlarge the company's market share in Europe, Asia and South America.

QUALIFICATIONS:
The candidate must demonstrate:
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- to have a particular autonomy in making responsible decisions
- to be innovative and commercially astute
- to be a hard worker and a high energy team player
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REMUNERATION:
The company offers:
- a highly competitive salary, negotiable according to the candidate's depth of experience
- profit sharing
- an excellent benefits package.

Kindly send detailed curriculum vitae to:
Box A5852, Financial Times, One Southwark Bridge, London SE1 9HL

OPPORTUNITY IN SWITZERLAND

An international institution located in Basle, Switzerland, with approximately 470 members of staff *from 26 countries is looking for a*

PERSONNEL OFFICER

The successful candidate will join a small team and carry out a wide range of personnel-related tasks, in particular in the areas of recruitment and training and development.

Candidates should be educated to university level, preferably in Business Administration or Economics, and must have 3-5 years' experience in human resource management. Experience in the area of training and development is desirable. Computer literacy is essential and the ability to use personnel information systems would be an advantage. Candidates must have an excellent knowledge of English and, in addition to a good command of German, knowledge of French, Italian or Spanish would be an advantage.

The Bank offers attractive conditions of employment in an international atmosphere and competitive welfare benefits.

Candidates should send their application to the Personnel Section, Bank for International Settlements, 4002 Basle, Switzerland, quoting reference number 96296.

BANK FOR INTERNATIONAL SETTLEMENTS

GLOBAL RESEARCH

A Division of Euromoney Publications PLC

Global Research is a market research firm specialising in the wholesale financial sector. We are currently seeking two additional people for the market research and sales function.
The market researcher will have experience of questionnaire design, client interface and report writing. There will also be involvement with freelance researchers.
The sales position requires experience in the financial services sector. Face-to-face and telephone selling will take place at senior level within the UK and overseas.
Salaries dependent upon experience.
Please send CV to: Justyn Trenner, Head of Global Research. Fax: +44 171 779 8769

FIXED INCOME SALES

£Rewards Unlimited **City**

An established fixed income house with blue chip shareholders and offices in London, New York, Zurich, Geneva, Frankfurt and Copenhagen is seeking to recruit fixed income sales executives.

The successful candidates will be self motivated and will have proven track records with at least 5 years' experience and transportable revenues. A working knowledge of French, German or Spanish would be an advantage.

To apply, please write with your full CV to Box A5848, Financial Times, One Southwark Bridge, London SE1 9HL

H
HENDERSON

Pacific/Emerging Market Strategist

Attractive salary and benefits **City**

Superb opportunity to join a successful and well respected research team within a leading international investment management house.

- Henderson is a major independent international fund management house and a market leader in investment in a number of specialist areas. After a period of consistent growth in funds invested overseas, we wish to recruit a bright, confident and resourceful individual to join our international research team.
- Reporting to the Head of Research, you will be responsible for advising the Pacific and Emerging Markets investment management teams about economic, market and currency issues within these regions.
- You will have a good degree with an economics bias and have had two to three years experience within the investment management sector. Originality and resilience are essential attributes and some experience of the Emerging Markets or Pacific regions is desirable but not essential.

FX Dealer, Dublin

Our Client, a Market Leader in the Investment Banking and Innovative Product Development field, invites applications for the position of FX Dealer in the Dublin International Financial Services Sector.

Only Candidates who meet the following criteria will be considered for this **very exceptional opportunity:**

- **3-5 years unequivocally profitable FX/Trading experience in spot and Forward Markets in the major currencies**
- **Incontrovertibly numerate, innovative, dynamic and disciplined**
- **Superb team-playing, interpersonal and communication skills**
- **Mid-twenties to early thirties**

Please send your detailed Curriculum Vitae to:

ETC Consult, Dealing Room Recruitment Specialists
17 Leeson Park, Dublin 6

quoting Ref. No. PR314 to reach us by Friday, May 31st 1996.

INTERNATIONAL ASSET FINANCE

SHIPPING

This specialist structured finance team seek an expert in ship finance currently working within a leading bank or arranger. Candidates will be graduates aged 30/40 years with sound tax/structuring skills, who can close high value cross border shipping transactions. Senior contacts within the European, US or Far East markets desirable.

Neg £50-£70,000 + bonus + benefits.

AIRCRAFT

A banker/packager aged 32/36 years, able to source, structure and close high-value tax based cross border leasing transactions with particular expertise in JLLs, FSCs, etc. Our client is a leader in providing innovative, highly structured tax based solutions to clients financial needs and will require sound analysis/structuring skills.

Neg £50-£70,000 + bonus + benefits.

Please telephone BRIAN GOOCH or send a detailed CV.

Anderson's
Anderson's Recruitment Co Ltd
Leasing Asset Finance Specialists
Warnford Court, Throgmorton St, London [illegible]
Tels [illegible]

Investment Manager/ Investment Analyst

Excellent salary plus bonus and benefits

London area

Our client, a major financial services organisation, is looking to recruit an investment manager/investment analyst to work within its rapidly expanding value investment activity. Familiar with high yield/low liquidity investments, the candidate will be capable of evaluating opportunities and making investment decisions, supporting and eventually taking over the management of a significant investment portfolio.

Aged between 26-32, the successful candidate will possess at least two years' company/asset valuation experience. This may have been acquired in corporate finance, venture capital, stockbroking or banking. He/she will have a university degree, and will in addition possess an MBA degree or will have qualified as a chartered accountant or lawyer. The ability to speak at least one other Continental European or Nordic language would be an advantage.

To apply, please send your CV in confidence to Peter Watts, Austin Knight UK Limited, Knightway House, 20 Soho Square, London W1A 1DS. Fax 0171 439 5744. Please quote reference number:A1096

e-mail: pw@austinknight.co.uk

CompuServe:101511,2562

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Head of Trade Finance

Moscow Based **Full Expatriate Package**

Our client, a major international bank with an extensive European office network, including offices in Central/Eastern Europe, Russia and the Ukraine is seeking to hire a Head of Trade Finance for it's fully licensed Moscow office. The office focuses on short-term lending, export and trade finance, treasury operations, and services in the field of account management and payment transactions.

The Role

- To develop and manage the department responsible for Documentary Business/Trade Finance/Forfaiting/Import and Pre-export Finance.
- Identify and develop potential corporate clients in respect of such capabilities.
- To market the bank's financial services to corporate clients and manage product innovations.
- Be responsible for domestic and international payments.
- To manage and train a team of local Russian staff.

The Candidate

- Will have an excellent academic background.
- Up to 5 years relevant experience.
- Excellent and proven managerial skills.
- Outstanding relationship building and negotiation skills.
- Possess an entrepreneurial attitude.
- Product knowledge of Commodity Trade Finance would be advantageous.
- Fluency in English and/or German essential. Knowledge of Russian would be an advantage.

If you feel you meet the aforementioned criteria and are keen to become involved in a dynamic working environment, please contact Sarah Lee on 0171 831 2000 or write to her at Michael Page City, Page House, 39-41 Parker Street, London WC2B 5LH. Fax: 0171 405 9649, quoting reference number 285426.

MP
Michael Page City
International Recruitment Consultants
London Paris Frankfurt Hong Kong Sydney

TECHNOLOGY RESEARCH ANALYST

A challenging role with a leading player in Research

London

Our client, a prestigious US investment bank, is looking for a Research Analyst with a strong financial analysis and technology industry background. Reporting to a Managing Director, you will play a key role in all aspects of company and industry research and marketing. The successful candidate will liaise between European, US and Asian Research as well as Sales and Investment Banking.

The following attributes are critical:

- Significant commercial exposure to the international financial community, preferably with investment banking experience and work experience in the computer industry.
- In depth understanding of technology companies.
- Demonstrably superior expertise in the semi-conductors industry. Must have technical industry understanding as well as financial experience.
- Degree and record of academic excellence.
- High level of integrity together with excellent communication skills both oral and written and experience working in an interdisciplinary team environment.

The remuneration package tailored to the successful applicant will be competitive. To apply, please write enclosing a full CV to Alastair Lyon, Confidential Reply Handling Service, Ref: 431, Associates in Advertising, 5 St John's Lane, London EC1M 4BH.

Applications will only be forwarded to this client, but please indicate any organisations to which your details should not be sent.

ASSOCIATES IN ADVERTISING

Scope (formerly The Spastics Society) is the UK's largest charity working with disabled people. For over 40 years we have been providing help, advice and practical resources to people with cerebral palsy, their families and carers. Scope offers the support people need to take control of their lives.

Scope is developing its management teams and reorganising its structure to provide a more vibrant, coherent organisation which can enhance our ability to meet the needs of people who use our services. The main elements of these changes comprise a programme which is now known as 'Scope Towards 2005'. The changes are also designed to achieve greater efficiency and an improved financial position. To complete our new Executive Director group we are seeking to fill the following post.

Executive Director of Management Services

circa £54,000 plus lease car

An Executive Director is expected to demonstrate an awareness of the needs and aspirations of people with cerebral palsy, their families and carers and a commitment to further their cause. You must be committed to our mission and aim and have a genuine desire to enhance, value and develop the contribution of staff and volunteers. In particular you will have the ability to develop effective working relationships with our Trustees and Local Affiliated Groups. Your ability to think creatively about complex matters and undertake strategic planning activity are essential, together with excellent interpersonal skills. Your commitment to providing high quality responsive services to others together with a demonstrable ability to relate openly and honestly across all levels will be invaluable.

The Division contains Scope's finance, property and embryonic central purchasing and IS/IT functions. You will have a degree, equivalent level professional qualification or a proven ability to analyse and communicate at this level; a professional accountancy qualification; minimum of five years' successful senior management experience in finance and/or other support service functions (excluding human resources/personnel) and a demonstrable understanding of the main technical and professional aspects of financial management, purchasing, the development of information technology and property management as they relate to the voluntary sector.

You will be committed to establishing customer-focused financial systems and resources for managers and staff. This will allow Scope to bring its financial affairs fully under control and achieve the optimum financial outcome from our management of property and development of central purchasing and IT.

For an information pack (our application form can be made available in disk format on request) (no CVs), contact Beryl Hammond, Scope, 12 Park Crescent, London W1N 4EQ. *Tel: 0171-636 5020 ext. 303.* Fax: 0171-436 2601.

Closing date for return of completed applications: 7th June 1996.

Working Towards Equality.

SCOPE
FOR PEOPLE WITH CEREBRAL PALSY

PRODUCT DEVELOPMENT MANAGER

London

Our client, a prestigious US investment bank, is looking for an experienced Product Development Manager to join a global team developing new Asset Management products. Based in London, you will assume overall responsibility for sponsoring and supporting the launch of new business concepts and products – from initial research and cost/benefit analyses to project managing implementation.

This will include working closely with our Global Product Development team, co-ordinating the launch activities of product management teams, liaising effectively with external service providers and building a Product Development group in Europe.

A proven track record of at least eight years in the financial services industry is essential, including substantial experience of researching and launching a successful variety of off-shore bond, equity and money market funds. In addition, you will need a knowledgeable overview of business developments in Europe, the Americas and Asia, supported by incisive analytical skills, an alert, critical mind and outstanding verbal and written presentation skills.

Your strong project management expertise should also include a natural talent for authoritative leadership, the ability to focus on several projects simultaneously and an established network of international contacts.

Candidates must be fluent in English, and be educated to at least degree level.

The competitive remuneration package, tailored to the successful applicant, will reflect the seniority of this appointment. To apply, please write with full CV to: Alastair Lyon, Confidential Reply Handling Service, Ref. 427, Associates in Advertising, 5 St John's Lane, London EC1M 4BH.

Applications will only be sent to this client, but please indicate any organisations to which your details should not be forwarded.

ASSOCIATES IN ADVERTISING

Global Business Analyst

Role

Business analyst focusing on numerous companies in various industries and sectors throughout the world with the aim of selecting a limited number of superior companies for investment.

Qualifications

3 - 5 years experience in corporate financial analysis;
Evidence of exceptional intelligence and resourcefulness;
Passion for analyzing diverse businesses;
In-depth exposure to emerging markets (residence, education or work).

Location

Florida with extensive global travel, often in emerging countries.

Resumes & information relevant to above qualifications should be sent to PO Box 3060, Palm Beach, FL 33480 USA or faxed to (1-407) 835-0330

ANALYSTS – LATIN AMERICAN EQUITIES

Our Client is a major European investment bank with offices throughout the globe. Highly active in all areas of the equity markets, the firm has seen significant success and growth of its Latin American equity division in both the UK and USA and now seeks to appoint two high calibre analysts to focus on the Latin American banking and food sectors.

The successful candidates will join a large team of analysts and salespeople and be responsible for producing a top quality product to serve UK, Continental European and US clients. Reporting to the head of Latin American equity research, these individuals will have:

- Two years' experience of analysing the banking or food industry.
- Linguistic ability in Spanish and/or Portuguese.
- A strong team-player approach.
- Degree level education and an accountancy qualification would be advantageous.

This is an excellent opportunity for professional, articulate and well-presented analysts to further their career in a challenging environment.

We would like to hear from individuals either currently covering the Latin American banking or food sectors, or alternatively with experience in these sectors who would be keen to switch geographic region.

An attractive compensation package will be offered to the successful candidates.

Please write to Ref: LA235, Miller Leake Advertising, 50 Harvey Road, Farnborough, Hampshire GU14 9TW. All applications will be treated in strictest confidence and forwarded to the consultant handling this assignment.

BANCO DE ESPAÑA

- TRANSLATOR -

The Spanish central bank is seeking to fill a vacancy for an English translator. Applicants' mother tongue should be English. Duties will principally include the translation of economic and financial texts from Spanish into English, the editing of texts in English and the occasional translation of texts into Spanish.

Candidates should meet the following requirements:

- An university degree, ideally in Economics (or a related subject). A postgraduate diploma in translation would be an advantage.
- Several years' professional translation experience in the economic or financial field in international organisations.
- A perfect command of English and Spanish Knowledge of other European languages would be favourably viewed.
- PC skills.

Candidates should submit their applications by September 6th 1996

Details of the selection process and application forms may be obtained from:

Centro de Formación del Banco de España
Apartado de Correos nº 15
E-28080 Madrid - SPAIN
Teleph.: (341) 338 68 31/32 - Fax: (341) 338 68 82

CASPIAN

Global Emerging Markets

Caspian, the recently established emerging markets investment group, provides a wide range of investment banking, asset management, research and securities services through offices around the world. As the group is expanding Caspian is now looking for:

EXPERIENCED ANALYSTS

to cover the markets of Turkey, Poland, Hungary, The Czech Republic and Russia. Candidates should have strong experience in at least one of these markets, with accounting qualifications and a sectoral research background.

LATIN AMERICAN EQUITY SALES PERSON

to service our UK and European customer base. Candidates should have a minimum of four years experience of selling Latin American equities and a proven background in macroeconomic and fundamental company analysis.

Interested candidates should forward a detailed CV and covering letter to:
Miss Tracey Causer, Caspian Securities, 199 Bishopsgate, London EC2M 3TY
(STRICTLY NO AGENCIES)

APPOINTMENTS ADVERTISING

appears in the UK edition every Wednesday & Thursday and in the International edition every Friday.

For further information please contact:
Toby Finden-Crofts
+44 0171 873 3456

APPOINTMENTS WANTED

Equity Salesman with own high quality commission business seeks fresh horizons. Other skills available to right house. Reply Box A5851, Financial Times, One Southwark Bridge, London SE1 9HL.

MONECOR (London) Ltd.

is seeking a

DERIVATIVES BROKER

Based in London, you must be a specialist in Japanese Markets. You must have 5 years experience in derivatives broking and be bilingual in English/Japanese.

Please write in confidence to:
Monecor (London) Ltd.,
Human Resources, 4th Floor,
Golding's House, Hay's Galleria,
London SE1 2HB

JAPANESE EQUITY AND DERIVATIVES BROKER

"A UNIQUE PERSONAL CHALLENGE"

We are looking for candidates with a Degree having at least 5 years experience in broking in Japanese warrants, convertibles etc.

Knowledge of these specific markets, contacts with Clients, knowledge of Japanese and English languages at Degree level is imperative

Your application will be dealt in the strictest confidence. Applicants should send a detailed CV to Stella Wollin at 3rd Floor, 46 Albermarle Street, London W1X 3FE

polish financial markets

traders/analysts

warsaw

excellent package

international training

Opportunity for two ambitious capital markets professionals to join the fast growing Polish subsidiary of a multi-national US financial trading business in Warsaw. We're looking for high energy, PC literate, ethical individuals with fluent (probably native) written and spoken Polish and good English.

Equities Trader/Analyst

Graduate or MBA/CFA with 1-2 years plus experience in equity markets to take responsibility for leading the development of established proprietary equities trading in Poland. You will trade listed equities, MPP vouchers, NIFs & unquoted investments and monitor risk positions. The first year will be spent in London working with the international equities group.
Ref: PEQ/0505

Fixed Income Trader/Analyst

Graduate or MBA with minimum 1-2 years financial markets experience to develop directional and arbitrage proprietary trading strategies for the Polish financial markets including soft currency trading, fixed income investments and new instruments. You will execute trades, monitor risk positions and follow all relevant economic and political changes.
Ref: PFY/ 0506

It's a fast growing business, with international career opportunities. It's also a meritocracy, not a bureaucracy - decision making responsibility and higher trading limits mean increased challenges and rewards.

Farn Williams Financial Markets Desk handles world-wide opportunities for internationally mobile capital markets professionals.

Email: farn@netbenefit.co.uk (Preferred CV format Word 6.0). Visit our Web Jobs at http://www.farnwilliams.co.uk

FARN WILLIAMS Please send CV to Farn Williams, Diamond House, 37-38 Hatton Garden, London EC1N 8FW Tel: (44) 171 404 4089 Fax: (44) 171 404 4085

ECONOMISTS

LATIN AMERICA

The Economist Intelligence Unit is a world leader in the provision of economic information and analysis to international business. We are currently expanding and are looking for two economists to join the editorial team covering Latin America.

The more senior position requires a minimum of three years' work experience as a writer and analyst on the region. The role involves editing and writing reports, forecasts and risk assessments to meet tight deadlines. As well as regional knowledge, you should have significant editorial expertise and a solid background in macroeconomics. Familiarity with the economies of Mexico, Brazil and Argentina would be an advantage, as would experience of their financial markets. You must be computer-literate and able to speak and write clear and concise English, as well as having a good grounding in Spanish.

A new junior position is also available. For this role you should have a degree in economics, good writing skills, the ability to read Spanish and a proven interest in the region.

For both these London-based positions we offer competitive salaries and an excellent benefits package including profit share, five weeks' holiday, private health insurance and a contributory pension scheme.

To apply, please send a letter and cv with details of your current salary (plus, for non-EEA nationals, UK work permit status) to the address below. Closing date for applications: Friday 24th May 1996.

E·I·U The Economist Intelligence Unit

SUSAN PHILLIPS, GROUP HR ADVISER, THE ECONOMIST INTELLIGENCE UNIT, 15 REGENT STREET, LONDON SW1Y 4LR.

ACCOUNTANCY APPOINTMENTS

DIRECTOR FINANCIAL CONTROL
MULTINATIONAL PLC

WEST LONDON — TO £100,000 PACKAGE

Clearly recognised as a leader in its field of marketing services, our client is a customer focused, sales and marketing driven organisation with a worldwide business employing over 800 people. The group is listed on the London and Paris stockmarkets.

The group's aim is to be the market leader in each of the sectors and business areas in which it participates. It has recently embarked upon a programme of improving the quality and structure of the management team and, as a result, a new position has emerged for a high calibre finance professional to join the group finance team.

Reporting direct to the Group Finance Director, this is a clear opportunity to drive the continuous improvement of financial and group reporting and key *responsibilities will include:*

- the group's published annual and interim reports and financial press releases
- co-ordination of overseas country Finance Directors and Controllers
- group financial information system
- management reports
- internal financial controls
- relationship with external auditors

The successful candidate will be a graduate qualified Chartered Accountant in his/her 30's, with demonstrable exposure to multinational corporations and at least 5 years post qualification experience, preferably within industry. Commercial awareness and a strong knowledge of UK GAAP are essential requirements, a second language would be useful.

To succeed in this fast moving environment, you will need to be able to demonstrate adaptability and flexibility to cope with the changing demands and *priorities that the organisation will meet. In addition, you will have first rate* communication skills and the ability to work with key personnel around the world.

If you believe you possess both the technical and personal qualities demanded, please write to **Giles Daubeney** or **Simon Moser**, enclosing a current curriculum vitae, at **Robert Walters Associates, 25 Bedford Street, London WC2E 9HP.** Fax: 0171 915 8714. Internet: simon.moser@robertwalters.com

ROBERT WALTERS ASSOCIATES

L O N D O N W I N D S O R N E W Y O R K A M S T E R D A M B R U S S E L S S Y D N E Y W E L L I N G T O N

BUSINESS PLANNING MANAGER

Challenging Corporate Agenda

London

c.£40,000 bonus, car

Our client is a complex, international group operating in the leisure sector with a name respected by both business and consumers.

This role enjoys interaction at the most senior level within the group as part of a team tackling a broad and challenging corporate development agenda. Specific responsibilities include:

- Management of the group's business and financial planning processes
- Review and analysis of forecast and planned performance with development of possible future scenarios
- A wide variety of financially based analytical work and ad-hoc projects
- Presentation of the group's plans, forecasts and future strategic initiatives at the most senior levels, internally and externally

To respond to these wide ranging and challenging tasks you will be an Accountant or financially orientated MBA, whose strong financial background supports a high level of commercial awareness and well-developed strategic vision.

To work effectively both internally and externally, highly developed interpersonal, communication and presentation skills are pre-requisites. A pragmatic approach is essential in ensuring that key projects are completed within demanding timescales.

Interested candidates should write with full CV, quoting current rewards package, to Karen Wilson, Hoggett Bowers, 7-9 Bream's Buildings, Chancery Lane, London EC4A 1DY, Tel: 0171 430 9000, Fax: 0171 405 5995 quoting ref: HKW/3422/FT.

INVESTOR IN PEOPLE

Hoggett Bowers
EXECUTIVE SEARCH & SELECTION

THE PSD GROUP

Risk & Financial Control
International Banking Group

Excellent Package — **City**

Superb opportunity for talented professional to apply and manage risk and financial controls within this leading institution committed to international expansion.

THE COMPANY
- Well-resourced, diversified group. Offers full range of banking and financial services through global network.
- Rapidly increasing coverage of markets and investment banking/securities products.
- Committed to improving operating, financial and front/back office performance.

THE POSITION
- New role, primarily responsible for the development and implementation of risk, financial and regulatory controls.
- Work closely with line management to identify and quantify risks.
- Bring rigorous approach to systems enhancement to support continuous business expansion.

QUALIFICATIONS
- Minimum five years' experience in financial/risk control preferably gained in banking or investment related company. Familiarity with SFA reporting and derivatives accounting essential.
- First-class analytical and commercial skills. Likely to be ACA/ACCA qualified. Clear communicator.
- Must be able to add value. Enthusiastic team player.

Please send full cv, stating salary, ref FS60507, to NBS, 10 Arthur Street, London EC4R 9AY

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EMI
A THORN EMI Company

Finance Director

Budapest — **£ Attractive Package**

EMI Music is a £2.2 billion turnover, global leader in the fast moving and dynamic music industry with some of the world's leading artists signed to its many and varied labels. Through continued growth and expansion, EMI has developed a strong presence in Eastern Europe, where it has a controlling interest in a joint venture company in Hungary.

As a result of an internal promotion, the Company now seeks to recruit a Finance Director for its Hungarian business. Reporting to the Managing Director and functionally to the CFO, EMI Europe, this person will manage the formulation of the business plan, budgeting cycle and management reporting to strict deadlines as well as being responsible for systems development. They will also be responsible for the provision of first class business and financial analysis covering variance, forecasting and longer term objectives.

In addition, they will be expected to get heavily involved in the commercial aspects of the business including the evaluation of acquisition proposals, artist deals and capital expenditure.

The successful candidate will be a qualified accountant or equivalent with about five years experience. They will need a good understanding of reporting to IAS requirements and be highly computer literate, preferably with experience of Lotus 123 and Excel. Personal requirements are as important as technical skills. These must include a high degree of commercial acumen and motivation, the ability to cope with pressure and excellent interpersonal skills which will include being able to communicate effectively in English and Hungarian. This role is characterised by long working hours and an interest in popular music would be an advantage.

This is an excellent opportunity to join a dynamic organisation with excellent career prospects.

Interested applicants should send a comprehensive curriculum vitae, stating a daytime telephone number and current remuneration package, quoting reference 289580, in full confidence, to Hugh Everard, Director at Michael Page Eastern Europe, Page House, 39-41 Parker Street, London WC2B 5LH, or fax + 44 (0) 171 404 6370.

MP
Michael Page Eastern Europe
International Recruitment Consultants

Argos

Financial Controller

c.£75,000 + Share Options — **Milton Keynes**

Exciting opportunity for accomplished and ambitious finance professional with strong development potential to play full commercial role in growth and development of highly successful retail business.

THE BUSINESS
- The leading British retailer of consumer durable goods through catalogue stores. Turnover exceeds £1.4 billion.
- Recent expansion plans have included the opening of further stores and the building of a new regional distribution centre. Now well positioned to take advantage of future growth and opportunities.
- Excellent prospects for enhanced profitability based on further expansion of the chain, fresh sales initiatives and on strict cost management.

THE POSITION
- Report to Finance Director. Provide financial planning services to senior management. Advise management on the financial impact of their decisions.
- Develop financial and appraisal systems which match profitability and growth requirements. Oversee implementation of a new integrated financial accounting system.
- Strong voice in development of strategic direction for the business.

QUALIFICATIONS
- Bright, commercially-minded finance professional. Aged 32–38, with excellent systems experience. Qualified accountant.
- Tangible track record of success in financial management role in retailing, fast-moving consumer goods or service sector.
- Mature, confident and results driven. Disciplined, articulate and tough. High potential for further development.

Please send full cv, stating salary, ref BM605A3, to NBS, Berwick House, 35 Livery Street, Birmingham B3 2PB

N B SELECTION LTD
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NBS

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MARKETING ANALYST

North West based — **£30,000 + Benefits**

Our client is a major blue-chip organisation in the leisure industry with a turnover approaching £3bn. The company also has several overseas operations. Due to group progression, an exciting and challenging opportunity has arisen within the financial analysis area.

Reporting to the business planning manager, you will be responsible for business appraisals, departmental forecasts, accruals and will have involvement in the planning and budgetary process. A highly commercial role, you will provide financial, analytical and business support to the financial managers and directors, as well as liaising with group specialisms. In order to successfully fill this demanding high profile role, you need to demonstrate the following qualities:

- Excellent verbal and written communication skills
- Strong academic record; graduate, first time professional passes
- Large company background
- Accountant with 3 years' post qualification experience
- Team player
- Ability to work to deadlines in fast-moving environment

Prospects are outstanding for the successful candidate.

To discuss this opportunity in total confidence, please contact Lucy Blakemore on 0161 834 0618 quoting reference 41729. Alternatively send your CV to her at the address below.

FMS, Amethyst House, Spring Gardens,
Manchester M2 1EA.
Tel: 0161 834 0618. Fax: 0161 832 9123.
Email. 100621.2024@compuserve.com
We have offices in London,
Birmingham, Manchester and Lewes.

fms
SPECIALIST FINANCE RECRUITMENT
INVESTOR IN PEOPLE
THE PSD GROUP

SENIOR ANALYST

London — **c.£33,000 + Car + Benefits**

Our client is a leading financial services company, gaining competitive advantage from the strength of its brand and innovative product development. An opportunity now exists for an ambitious individual who is looking for progression within a dynamic environment.

With a key part to play in providing reviews of divisional performance and forecasts, you will have significant influence in enhancing senior management's understanding and use of financial and business related information for decision making. A leading role requiring the following skills:

- Superior analytical capabilities to prepare, review and edit reports for the board of a blue chip company
- The ability to communicate effectively at the most senior level and with non-finance staff
- A proven proactive approach combined with the drive to succeed in a fast changing organisation
- Confidence to challenge issues when necessary and take a flexible approach

You will be a qualified accountant (ideally ACA) with a strong academic record and have at least two years post qualification experience, gained in a fast moving environment. The position offers excellent long-term prospects.

To discuss this opportunity in total confidence, please contact Richard Anson on 0171 405 4161. Alternatively send your CV to him at the address below.

FMS, 5 Bream's Buildings,
Chancery Lane, London EC4A 1DY.
Tel: 0171 405 4161. Fax: 0171 430 1140.
Email. 100621.2024@compuserve.com
We have offices in London,
Birmingham, Manchester and Lewes.

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SPECIALIST FINANCE RECRUITMENT
INVESTOR IN PEOPLE
THE PSD GROUP

Director of Finance

Forest Healthcare

c.£60,000 + Benefits — **London**

Forest Healthcare, a leading integrated NHS Trust, provides a full range of hospital and community services including mental health. This is an excellent career *opportunity in a challenging and demanding financial role.*

THE TRUST
- Serves a population of 300,000 mainly in Waltham Forest, Redbridge and SW and W Essex.
- Major acute hospital at Whipps Cross. Wide range of local health/community/medical centres.
- Turnover £115m p.a. 4,000 employees.

THE POSITION
- Executive Board member. Contribute to corporate management of the Trust. Report to Chief Executive.
- Overall responsibility for finance, information services, performance monitoring and estates. Manage central finance team.
- *Provide strong financial management whilst* supporting operational and service directorates and controlling capital projects.

QUALIFICATIONS
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Applicants should submit a curriculum vitae together with current salary details, quoting reference 29967, to: Peter Ward ACMA, Martin Ward Anderson, Goswell House, 134 Peascod Street, Windsor, Berkshire SL4 1DS.

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For further information and a confidential discussion on these outstanding opportunities contact **Mark Stewart** or **Dennis de Munck**, advising consultants to the company on (44) 171 209 1000, or write to them at **FSS Europe, Charlotte House, 14 Windmill Street, London W1P 2DY, United Kingdom** quoting reference number **OT0112.** Alternatively fax on (44) 171 813 9479 or e-mail **europe@fss.co.uk**

Interviews will be held in the UK and Continental Europe.

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The successful candidate will be a qualified accountant or equivalent with about five years experience. They will need a good understanding of reporting to IAS requirements and be highly computer literate, preferably with experience of Lotus 123 and Excel. Personal requirements are as important as technical skills. These must include a high degree of commercial acumen and motivation, the ability to cope with pressure and excellent interpersonal skills which will include being able to communicate effectively in English and Hungarian. This role is characterised by long working hours and an interest in popular music would be an advantage.

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The successful candidate will probably be a graduate qualified accountant, with strong interpersonal skills. A good commercial or professional track record and at least five years' PQE is essential. Previous experience of publishing is not necessary.

Please apply, in writing, with details of current salary, to **Mr. D.C. Moody, Personnel Director, Oxford University Press, Walton Street, Oxford OX2 6DP.**

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The successful candidate will be a qualified chartered accountant with substantial service industry experience and the potential for further career development. He/she will also be able to influence at all levels and have strong people management skills setting targets to achieve results through others.

This is a rare opportunity for an ambitious individual to contribute to and share in the profitable growth of the Group.

Please send your full CV detailing what you are able to offer us to:

Human Resources Manager, PCL Group plc, Waterside House, 47 High Street Rickmansworth, Herts WD3 1ES

Tel: 01923 771111 Fax: 01923 775190

PCL

هكذا من الاصل

Wired for the future

US electrical parts maker AMP has survived a battering from East Asian competitors, says **Tony Jackson**

By rights, AMP is the kind of company that ought not to exist. Based in the prosperous farm country of Harrisburg, Pennsylvania, it makes simple electrical parts of a type which should have been taken over long ago by Taiwan or Korea.

Nevertheless, it increased its US workforce last year by almost 3 per cent. Although it manufactures in 23 countries, it exports six times as much from the US as it imports. With sales last year of $5bn (£3.2bn), it has a published target of $10bn by 2000.

It could have gone differently. A decade ago, AMP was in crisis: hammered by Asian competition, it closed 20 US factories and fired a quarter of its US workforce in three years. Its recovery is not only a tribute to American ingenuity. With luck, it suggests that for US manufacturing, there is life after downsizing.

AMP is the world's biggest maker of electrical connectors. At their simplest, these are little horseshoe-shaped pieces of metal stuck on to the ends of copper wire. Some of AMP's output is vastly more sophisticated; but the heart of the company is not so much rocket science as manufacturing know-how.

Founded in 1941 as Aircraft-Marine Products, it began by patenting a way of crimping connectors on to wire rather than soldering them. Patents – mostly involving knacks of manufacturing – have been crucial ever since. The chairman, Jim Marley, has a dozen or so to his credit from his early days as an AMP engineer. So has the chief executive, Bill Hudson.

Also fundamental is the idea of supplying customers with the tool or machine with which to install the connector. This still applies to some 60 per cent of the company's products. AMP, Marley observes, is rather like Gillette: sell the razor, then sell the blades to fit it.

"The AMP product you hold in your hand," he says, "contains only around 20 per cent of the technology that went into making it. Over the years, the people in Taiwan or Korea who looked at the part and tried to make one like it found they didn't have the 80 per cent."

Ten years ago, that logic suddenly looked vulnerable. In the early 1980s, soaring demand for electronic components had outrun US supply. As a result, AMP's customers turned to East Asia, and found they could get connectors not only cheaper but with fewer defects.

In one respect, AMP was lucky. It had been in Japan since 1957, when an AMP executive went over with a briefcase stuffed with $15,000 in cash to start a manufacturing plant. Thirty years later, as the company hacked production in the US, it was able to expand in East Asia.

Since then, the US operations have worked to catch up. As one measure of success, its US employment – adjusted for acquisitions – is now some 5 per cent higher than at its peak in 1984.

There has been a price. At times during the past 20 years, AMP has required its workers to take a week's unpaid leave in business downturns. Only last week, in response to what it believes is a temporary weakness in the US market, it called for volunteers amounting to some 25 per cent of the US workforce to take such a break.

Such flexibility, though, helps the US operations win business. A recent breakthrough was to start supplying the US auto plants of Honda and Toyota. Previously, the Japanese insisted for quality reasons on using their traditional local supplier, AMP Japan. The next target is the US plants of BMW and Mercedes, which are still wholly supplied by AMP Germany.

One legacy of the mid-1980s crisis proved permanent. Until 1985, AMP in the US could pass on annual price rises of 3 per cent to 5 per cent without much debate. Ever since, prices have fallen annually by a similar amount.

This makes the target of doubling sales by 2000 all the more challenging. Revenue growth has to rise from its historic level of 7 or 8 per cent to around 14 per cent. That in turn means volume growth of 20 or 22 per cent a year.

It is a formidable objective, which AMP intends to address in three ways: first, by capturing new markets in India, China and eastern Europe; second, by niche acquisitions; third, by moving into more advanced technologies.

The last part involves developing connectors to fit fibre optic cable rather than copper; fitting the connector to the cable in-house, rather than leaving it to the customer; and making communications switches that connect to the information superhighway.

Some of this presents problems of high-tech manufacturing and a more sophisticated salesforce. It also involves heavy spending on R&D. In return for the extra risk, AMP says, it will move from a $25bn market, in which it already has a dominant 20 per cent share, to one of $87bn. AMP hopes those new businesses, which contribute up to 15 per cent of revenues today, will add between $1.5bn and $2bn to sales by 2000. Meanwhile, as it freely concedes, it has to convince the doubters on Wall Street that it can turn those sales to profit.

There is a more basic worry. In a world of wireless technology and ever more advanced microprocessors, might the notion of connection eventually become redundant?

Not at all, AMP says. However much is designed into the chip, the information still has to get out somehow. As for wireless, a typical cellular phone handset contains $2-$3 worth of connectors, while the connectors in a cellular base station cost around $20,000. Wireless telephony, Marley says, turns out to use more connectors than wired.

AMP, Hudson adds, has lived with the death of connectors since he can remember. "In the 1960s, the integrated circuit board was supposed to be the death knell. But there always has to be an interface. I no longer have nightmares about something coming down the line," he says.

Jim Marley (left) and Bill Hudson: more than a dozen patents between them

Consulting firms become top dogs

Tim Dickson on new findings into what Europe's business graduates feel makes the ideal employer

Management consultancy firms have taken the top three places in a poll of European business graduates, ousting computer companies as the students' ideal type of employer.

McKinsey & Co, Boston Consulting Group and Andersen Consulting achieved a clean sweep for consultants in the 1996 European Graduate Survey conducted by Universum of Sweden and published this week.

McKinsey and BCG were respectively second and third in 1995, but they were overshadowed by Hewlett-Packard (ranked Number One last year), IBM (4) and Microsoft (5). Hewlett-Packard and Microsoft are in the top 10 this time but IBM has slipped to 13th position and Apple Computer has dropped out of the top 20.

The findings, which demonstrate that US multinationals are more popular with graduate job seekers than their European counterparts, suggest that some companies might consider a more pan-European recruitment strategy. More than 7,500 individuals from 56 business and engineering schools and universities responded to the questionnaire.

"Several European companies, such as Anglo-Dutch Unilever and Shell and Swiss-Swedish ABB succeeded in attracting graduates' preferences because they are no longer seen as national companies, but are rather considered as global and multicultural companies," says Michal Kalinowski of Universum. Companies such as BMW, Siemens and Nestlé also did well.

Asked what type of organisation they would ideally like to work for, 55 per cent opted for a multinational. Positive features included "having co-workers of other nationalities", "adapting to foreign cultures and business practices" and "working in a foreign language", though living away from home and the requirement of international relocation were cited as downsides of such jobs.

Danish, Finnish and Irish students were most interested in multinational careers; Austrian, Italian and Spanish students were the least enthusiastic.

The typical profile in the survey is of a demanding graduate seeking exciting products and services and fellow workers with whom they will enjoy socialising. Obtaining a competitive salary was not a significant issue – it ranked 13th in the list of "attractive" characteristics of a first employer – and focusing on personal development and growth was more important than opportunities to reach a management position.

The most important requirement, particularly in relation to management consultants and Belgian, British, Danish, French, German, Irish, Norwegian and Spanish respondents, was that employers provide a good reference for the future. Austrian, Finnish, Swedish, Swiss and Italians put more emphasis on language skills, while the Dutch were seeking exciting products and services.

The survey editors stress that factors influencing a company's "corporate image" (product branding, marketing, for example) are not the same as those influencing the "employer image".

Asked how they will influence key corporate decisions, tomorrow's managers mostly put the emphasis on the "human dimension", with the motivation of employees and development of an inspiring vision the top priority. Personal development and growth, developing a career and building a family far outweighed other priorities such as travelling and leisure, starting a company, developing creative and artistic talents and contributing time to non-profit organisations.

Government agencies, family businesses and non-profit organisations emerged as the least attractive employers, with each getting the support of just 2 per cent of the student sample.

The European Graduate Survey 1996. Details from Universum, Box 7053, 103 86 Stockholm, Sweden. Tel 46 8 679 4800, fax 611 0013.

Students' Top 50

Rank	Company	Index %	Rank	Company	Index %
1	McKinsey & Co	13,72	26	Morgan Stanley	4,35
2	Boston Consulting Group	11,10	27	Alcatel	4,28
3	Andersen Consulting	10,40	28	Price Waterhouse	4,27
4	BMW	9,68	29	KPMG	4,25
5	Procter & Gamble	8,93	30	Lufthansa	3,97
6	Nestle	8,91	31	Coopers & Lybrand	3,86
7	Hewlett-Packard	8,63	32	3M	3,72
8	Siemens	8,09	33	Bain & Company	3,72
9	Microsoft	7,81	34	Ernst & Young	3,65
10	Unilever	7,61	35	Volkswagen	3,62
11	ABB	7.40	36	Ericsson	3,59
12	Mercedes-Benz	7,25	37	Renault	3,27
13	IBM	6,98	38	Deutsche Bank	3,22
14	Shell	6,39	39	Salomon Brothers	3,16
15	Philips	6,21	40	Heineken	3,10
16	Sony	6,18	41	Booz Allen & Hamilton	3,05
17	J.P. Morgan	5,38	42	British Petroleum	2,98
18	Goldman Sachs	5,34	43	Volvo	2,95
19	L'Oréal	5,14	44	Bertelsmann	2,93
20	Arthur Andersen	4,66	45	Norsk Hydro	2,88
21	Motorola	4,64	46	Bosch	2,85
22	Danone	4,56	47	Kraft Jacobs Suchard	2,78
23	British Airways	4,47	48	Apple Computer	2,76
24	Nokia	4,42	49	Gemini Consulting	2,71
25	Merrill Lynch	4,35	50	Statoil	2,58

COMMERCIAL PROPERTY

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The building directly overlooks one of London's most famous and attractive garden squares.

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APPOINTMENTS

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As a member of Corporate Finance with this leading International investment company you will specialise in Telecommunications, Media and Technology (TMT), prepare presentations for the origination of business with respect to companies in TMT industries, provide advice on U.S. regulatory requirements and U.S. business practices, advise governments on the organization and execution of privatization transactions directed to the U.S. market, perform market analysis, provide industry, financial and regulatory advice to non-U.S. companies seeking to engage in merger, acquisition or strategic venture relationships in the U.S. and general advice and relationship management with respect to the execution of corporate finance and merger and acquisition matters involving the U.S. market. Salary negotiable. Applicants, aged 30 to 35 and holding post graduate degree, with minimum 10 years' relevant business experience and with European language ability in addition to English, should write, enclosing full curriculum vitae to Box B5857, Financial Times, One Southwark Bridge, London SE1 9HL.

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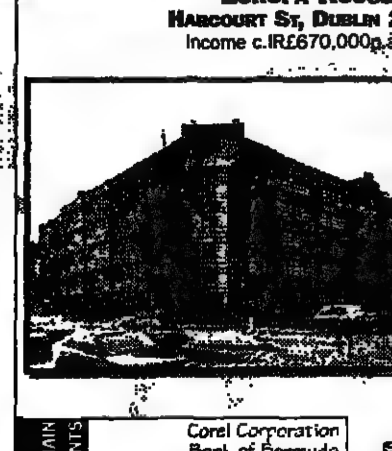
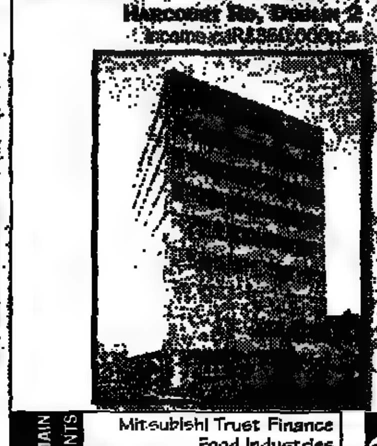
Iveagh Court, Harcourt Rd, Dublin 2





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SOLICITORS: Adam's Corporate Solicitors, 4 Inns Court, Winetavern Street, Dublin 8, Ireland
TENDERS: Latest date for receipt of Tenders 12 noon, Thursday 20th June, 1996
CONTACT: TEL: +353-1-676 0251, FAX: +353-1-676 7066
INTERNET: http://www.iol.ie/~hok
EMAIL: hok@iol.ie

SUBSTANTIAL PROPERTY PORTFOLIO FOR SALE
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Write C4524, Financial Times, One Southwark Bridge, London SE1 9HL

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Hunter Payne Commercial
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0181 858 9303

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The above group is a major frozen and fresh foods retailer operating 63 branches throughout Scotland.

- Annual turnover c£30m
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  Head Office: Edinburgh (6151 sq.ft.; 572 sq.m.; 21 car parking spaces)
- 500 employees

For further details contact the Joint Receivers, Donald McGruther or Jonathan Birch

Capital Foods, 222 Queensferry Road, Edinburgh EH4 2BN.
Tel: 0131 343 6131 Fax: 0131 343 5555

or

Grant Thornton, 1/4 Atholl Crescent, Edinburgh EH3 8LY.
Tel: 0131 229 9181 Fax: 0131 229 4560

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Principal features include:

- Turnover £6m
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Dutch based holding company seeks offers for quality logistics and distribution business focussed towards the Benelux and German market place. The business enjoys strong operating brand names aimed at blue chip clientele. Established management and loyal workforce.

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Write to Box B4511, Financial Times, One Southwark Bridge, London SE1 9HL

ASTIKA AKINITA

INCORPORATED COMPANY OF REAL ESTATE CONSTRUCTIONS TOURIST AND RELATED ENTERPRISES

PUBLIC CALL FOR TENDERS FOR THE SALE OF THE ASSETS OF THE COMPANY UNDER THE TITLE "GREEK HOTELS S.A."

The incorporated company "ASTIKA AKINITA A.E." (43 Panepistimiou str., 105 64 Athens) as a special liquidator [illegible] "GREEK HOTELS, HOTEL AND TOURISM ENTERPRISES S.A." [illegible]

ANNOUNCES

A public call for tenders with sealed, binding offers, for the sale of the total assets of the enterprise [illegible]

ACTIVITIES AND BRIEF DESCRIPTION OF THE COMPANY

[illegible]

INVITES

[illegible]

TERMS OF THE CALL FOR TENDERS

[illegible]

16. The liquidator and the creditors will not bear any responsibility or liability against those who will participate in the tender as regards the evaluation of the offers, their recommendation of the successful bidder, the decision for the repetition or cancellation of the tender and any other decision relevant to the procedure and realization of the tender.

17. The present announcement has been drafted in the Greek language and translated in the English language. In every instance however, the Greek text will prevail.

Interested parties may collect offer memorandums and receive other information from Mr. Gerassimos Christopoulos and Mr. Vlassios Arvanitidis, 43 Panepistimiou Street, 105 64 Athens, telephone nos: 326.6110 and 326.6115, fax no. 326.6118.

ASTIKA AKINITA

INCORPORATED COMPANY OF REAL ESTATE CONSTRUCTIONS TOURIST AND RELATED ENTERPRISES

INVITATION FOR THE DECLARATION OF INTEREST FOR THE PURCHASE OF THE ASSETS OF "HELLENIC DECORATIVE ROCKS S.A."

The incorporated company under the title "ASTIKA AKINITA A.E." (43 Panepistimiou street, 105 64 Athens), in its capacity as special liquidator of the incorporated company "HELLENIC DECORATIVE ROCKS S.A." with head offices in Katsambi 5A, Holargos, Prefecture of Attica, by virtue of the provision of article 46a, Law 1892/1990 as added to the law by the provision of article 14, Law 2000/1991 as modified and applicable, and of Judgement No. 4282/1996 of the Court of Appeal of Athens,

INVITES all interested parties to declare their interest for the purchase of the total assets of "HELLENIC DECORATIVE ROCKS S.A.", a company having its objective the quarrying and processing of marble and granite blocks (marble and granite products, reinforced decorative stonework, etc.) in an industrial complex located at Lampousa, Municipality of Lapoura, Prefecture of Evia, by submitting within a term of twenty (20) days from the publication of the present a non-binding declaration of interest in writing.

The assets of the company under liquidation include a fully equipped industrial unit, constructed on a site with a total area of 44,783 sq.m. and located at Lampousa, Municipality of Lapoura, Prefecture of Evia, on the 15th klm. of the Aliveri-Kymi regional road.

The industrial unit consists of an industrial building with an area of 2,362 sq.m., a building housing the Power Corporation sub-station with an area of 148 sq.m., a unit for the recycling of industrial water, pumping-station, well, and other special installations-constructions and development of the surrounding area serving the operational requirements and security of the industrial unit.

All parties wishing to declare their interest and receive a detailed offer memorandum or additional information, are kindly requested to apply to Mr. Georgios E. Poimenidis and Mr. Christos S. Agathopoulos, 43 Panepistimiou, 105 64 Athens, tel. nos (301) 326.6113, 326.6111, fax no: (301) 326.6118

CONTRACTS & TENDERS

"IN THE NAME OF GOD"

Ministry of Energy
Iran Water & Power Resources Development Co.

INVITATION
PREQUALIFICATION OF APPLICANTS FOR
2 X 125 MW SAZBON
HYDROELECTRIC POWER PLANT

Iran Water & Power Resources Development Company (IWPC) invites applicants to provide information for prequalification of the following part(s) of the 2 x 125 MW SAZBON HYDROELECTRIC POWER PLANT in Ilam province of the ISLAMIC REPUBLIC OF IRAN.

1. Project management, supply of auxiliary electrical & mechanical equipment and erection of all main & auxiliary electrical & mechanical equipment (Lot 3).
2. Supply and supervision of erection of 2 No. vertical shaft Francis turbines (net head of 120 m) complete with governors and 2 No. butterfly valves (Lot 4).
3. Supply and supervision of erection of 2 No. vertical synchronous generators complete with excitation systems and switchgear (Lot 5).
4. Supply and supervision of erection of I & C and protection systems (Lot 6).

Each lot shall be financed by the tenderers independently, and separate prequalification documents are to be submitted for each lot.

The applicants themselves or their authorized representatives may obtain prequalification documents from June 9, 1996, onwards and are required to submit completed prequalification documents before 12.00 hours on July 10, 1996 at the following address:

Iran Water & Power Resources Development Company
Electrical & Mechanical Department (Mr. Kiani)
Building No. 1, sixth Floor,
No. 212 Nejatollahi Street,
Tehran - IRAN
Tel. (+98) 21 8801038-9
Fax (+98) 21 897635

"IN THE NAME OF GOD"

Ministry of Energy
Iran Water & Power Resources Development Co

INVITATION
PREQUALIFICATION OF APPLICANTS FOR
2 X 160 MW HINI MINI
HYDROELECTRIC POWER PLANT

Iran Water & Power Resources Development Company (IWPC) invites applicants to provide information for prequalification of the following part(s) of the 2 x 160 MW HINI MINI HYDROELECTRIC POWER PLANT in Ilam province of the ISLAMIC REPUBLIC OF IRAN.

1. Project management, supply of auxiliary electrical & mechanical equipment and erection of all main & auxiliary electrical & mechanical equipment (Lot 3).
2. Supply and supervision of erection of 2 No. vertical shaft Francis turbines (net head of 114 m) complete with governors and 2 No. butterfly valves (Lot 4).
3. Supply and supervision of erection of 2 No. vertical synchronous generators complete with excitation systems and switchgear (Lot 5).
4. Supply and supervision of erection of I & C and protection systems (Lot 6).

Each lot shall be financed by the tenderers independently, and separate prequalification documents are to be submitted for each lot.

The applicants themselves or their authorized representatives may obtain prequalification documents from June 9, 1996, onwards and are required to submit completed prequalification documents before 12.00 hours on July 10, 1996 at the following address:

Iran Water & Power Resources Development Company
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Building No. 1, sixth Floor,
No. 212 Nejatollahi Street,
Tehran - IRAN
Tel. (+98) 21 8801038-9
Fax (+98) 21 897635

"IN THE NAME OF GOD"

Ministry of Energy
Iran Water & Power Resources Development Co

INVITATION
PREQUALIFICATION OF APPLICANTS FOR
3 X 250 MW KARUN 4
HYDROELECTRIC POWER PLANT

Iran Water & Power Resources Development Company (IWPC) invites applicants to provide information for prequalification of the following part(s) of the 3 x 250 MW KARUN 4 HYDROELECTRIC POWER PLANT in Khuzestan province of the ISLAMIC REPUBLIC OF IRAN.

1. Project management, supply of auxiliary electrical & mechanical equipment and erection of all main & auxiliary electrical & mechanical equipment (Lot 3).
2. Supply and supervision of erection of 3 No. vertical shaft Francis turbines (net head of 147 m) complete with governors and 3 No. butterfly valves (Lot 4).
3. Supply and supervision of erection of 3 No. vertical synchronous generators complete with excitation systems and switchgear (Lot 5).
4. Supply and supervision of erection of I & C and protection systems (Lot 6).

Each lot shall be financed by the tenderers independently, and separate prequalification documents are to be submitted for each lot.

The applicants themselves or their authorized representatives may obtain prequalification documents from June 9, 1996, onwards and are required to submit completed prequalification documents before 12.00 hours on July 10, 1996 at the following address:

Iran Water & Power Resources Development Company
Electrical & Mechanical Department (Mr. Kiani)
Building No. 1, sixth Floor,
No. 212 Nejatollahi Street,
Tehran - IRAN
Tel. (+98) 21 8801038-9
Fax (+98) 21 897635

"IN THE NAME OF GOD"

Ministry of Energy
Iran Water & Power Resources Development Co.

INVITATION
PREQUALIFICATION OF APPLICANTS FOR
4 x 250 MW UPPER GOTVAND
HYDROELECTRIC POWER PLANT

Iran Water & Power Resources Development Company (IWPC) invites applicants to provide information for prequalification of the following part(s) of the 4 x 250 MW UPPER GOTVAND HYDROELECTRIC POWER PLANT in Khuzestan province of the ISLAMIC REPUBLIC OF IRAN.

1. Project management, supply of auxiliary electrical & mechanical equipment and erection of all main & auxiliary electrical & mechanical equipment (Lot 3).
2. Supply and supervision of erection of 4 No. vertical shaft Francis turbines (net head of 112m to 139m) complete with governors and 4 No. butterfly valves (Lot 4).
3. Supply and supervision of erection of 4 No. vertical synchronous generators complete with excitation systems and switchgear (Lot 5).
4. Supply and supervision of erection of I & C and protection systems (Lot 6).

Each lot shall be financed by the tenderers independently, and separate prequalification documents are to be submitted for each lot.

The applicants themselves or their authorized representatives may obtain prequalification documents from June 9, 1996, onwards and are required to submit completed prequalification documents before 12.00 hours on July 10, 1996 at the following address:

Iran Water & Power Resources Development Company
Electrical & Mechanical Department (Mr. Kiani)
Building No. 1, sixth Floor,
No. 212 Nejatollahi Street,
Tehran - IRAN
Tel. (+98) 21 8801038-9
Fax (+98) 21 897635

Expressions of Interest
Management Contract
Automotive Training Centre for Wales

WDA | Ford

The Welsh Development Agency, the Ford Motor Company and other partners are establishing a major 'new build' industry training centre in South Wales to serve the automotive and related industries. It is anticipated it will be operational by March 1997.

The Centre will provide a full range of training courses, in manufacturing related skills, to SMEs in the region and to the Ford Motor Company. It will also help develop the skills base in the region through innovative ventures with TECs and local schools.

Research has confirmed likely demand and an indicative business plan has established viability.

We will be inviting tenders following receipt of expressions of interest from suitably experienced organisations to manage the Centre.

Should you wish to consider tendering, then please write or fax to
John Sheppard, Eres,
Castle Buildings, Cardiff, CF1 2RG
Fax 01222 384683 for further information.

With reference to our tender invitation in the name of the Air Traffic and Airport Administration (1675 Budapest - Ferihegy POB 53.) of the Ministry of Transport, Telecommunication and Water Management of the Hungarian Republic, for the delivery of the ATC MATSIM System, published in Financial Times April 4, 1996 we inform you that the following will be cancelled:

"In the evaluation of the offers, in case of max. 10% price difference, also that bid shall be equivalent according to which the value produced by employees in Hungary exceeds 50% of the value of the simulator-system. The bid, according to which the value produced by employees in Hungary is higher, shall be preferred.
After this"

KOMPLEX Trading Co. Ltd.
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Tel.: (36-1) 1 320-592 Fax: (36-1) 1 316-527)

To Advertise Your Legal Notices

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Fax: +44 0171 873 3064

LEGAL NOTICES

No. 00[illegible] of 1996

IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
COMPANIES COURT
IN THE MATTER OF HENLYS GROUP PLC
- and -
IN THE MATTER OF THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that the Order of the High Court of Justice (Chancery Division) dated 1st May 1996 confirming the reduction of the share premium account of the above named Company by £45,000,000 was registered by the Registrar of Companies on 3rd May 1996.

DATED this 17th day of May 1996.

ASHURST MORRIS CRISP
Broadwalk House
5 Appold Street
London EC2A 2HA
Ref: [illegible]
Solicitors for the said Company

LEGAL NOTICES

KINGSCROFT INSURANCE COMPANY LIMITED
(formerly Kraft Insurance Company Limited, Dart and Kraft Insurance Company Limited, and Dart Insurance Company Limited)
and
WALBROOK INSURANCE COMPANY LIMITED
and
EL PASO INSURANCE COMPANY LIMITED
and
LIME STREET INSURANCE COMPANY LIMITED
(formerly Louisville Insurance Company Limited)
and
MUTUAL REINSURANCE COMPANY LIMITED

('the KWELM companies')

Notice is hereby given that the second ANNUAL MEETING of the Scheme Creditors of the KWELM companies convened pursuant to clause 8.1 of the Scheme of Arrangement ('the Arrangement') will be held at 2.00 pm (Central Time) on Wednesday 26 June 1996 at the Bismarck Hotel, 171, West Randolph Street, Chicago, Illinois 60601, USA. The Scheme Administrators' report on the conduct of the affairs of the KWELM companies for the year to 31 December 1995 shall be laid before the meeting.

Scheme Creditors may attend in person (or, if a corporation, by a duly authorised representative) or they may appoint another person, whether a Scheme Creditor or not, as their representative to attend in their place.

Forms of representation for use at the said meeting, copies of the Scheme Administrators' report and the Arrangement document incorporating the terms of the Arrangement are available on request to the Scheme Administrators at the address set out below.

Dated this day 14 May 1996

CJ Hughes and IDB Bond
Scheme Administrators
of the KWELM companies

Address for correspondence:
Plumtree Court
London EC4A 4HT
United Kingdom
Telephone + 44 171 583 5000
Fax + 44 171 212 6708

Note

A London meeting of the Scheme Creditors of the KWELM companies will be held at 2.00 pm on Wednesday 3 July 1996 at the Coopers & Lybrand Training Centre, 2-3 Bloomsbury Square, London WC1A 2RL, United Kingdom, to enable those unable to travel to Chicago to attend.

NOTICE TO SHAREHOLDERS OF
MLH REALTY INVESTMENTS VI N.V.

Notice of the Annual General Meeting of Shareholders of MLH Realty Investments VI N.V. (the "Company") is hereby given. The meeting is to take place at 11:30 a.m. on May 30, 1996, at the registered office of the Company, 14, John B. Gorsiraweg, Curaçao, Netherlands Antilles. The agenda of the meeting is set forth below.

AGENDA

Annual Meeting of Shareholders of
MLH REALTY INVESTMENTS VI N.V.

1. Report by Board of Supervisory Directors on the course of business of the Company and on the administration conducted during the fiscal year ended November 30, 1995.
2. Discharge and subsequent re-election of the following members of the Board of Supervisory Directors: Mr. Thomas J. Brown, Mr D. Bruce Brunson and Mr. Jack A. Cuneo.
3. Report by the Board of Managing Directors on the course of business during the fiscal year ended November 30, 1995
4. Presentation of the Net Result of the period December 1, 1994 through November 30, 1995
5. Confirmation and adoption of the Balance Sheet and Profit and Loss Account for the period ended November 30, 1995 and as presented in the report of the accounting firm of Ernst & Young L.L.P. dated April 5, 1996.
6. Discharge and subsequent re-election of the Board of Managing Directors
7. Selection of independent auditors.

Shareholders, by executing the subscription agreement for their shares have executed a discretionary proxy in favour of Yvomante Corporation N.V., authorizing Yvomante Corporation N.V. to vote the investor's shares. This proxy may be revoked either personally at the General Meeting of Shareholders or by written notice to Yvomante Corporation N.V., 14, John B Gorsiraweg, Curaçao, Netherlands Antilles, received prior to such meeting. Shareholders have the opportunity to instruct Yvomante Corporation N.V. as to the voting of their shares by writing to Yvomante Corporation N.V. at the above address.

MLH REALTY INVESTMENTS VI N.V.
By: MeesPierson Trust (Curaçao) N.V.
Managing Director

PUBLIC NOTICES

NOTICE PUBLISHED BY THE SECRETARY OF STATE UNDER SUBSECTIONS 8(5) AND 10(6) OF THE TELECOMMUNICATIONS ACT 1984

The Secretary of State hereby gives notice as follows.

1. He proposes to grant a licence under the Telecommunications Act 1984 ("the Act") to Eastern Group Telecoms Limited ("the Licensee") to run telecommunication systems throughout the United Kingdom. The licence will be for a period of 25 years subject to earlier revocation in specified circumstances.
2. The principal effect of the Licence will be to enable the Licensee to install and run telecommunication systems throughout the United Kingdom. The licensee will be able to provide a wide range of services but excluding mobile radio services and certain international services. The licence authorises connection to a wide range of other systems, including earth orbiting apparatus, allowing the provision of some types of international satellite service. On securing a share of 25% or more of the market in respect of particular services in an area specified by the Director General of Telecommunications, the Licensee may be obliged to make available those telecommunication services to all who reasonably request them within that area.
3. The licence will be subject to conditions such that section 8 of the Act will apply to it, thereby making each of the systems run under the licence eligible for designation as a public telecommunication system under section 9 of the Act. It is the intention of the Secretary of State to designate each of the Licensee's systems as a public telecommunication system.
4. The Secretary of State proposes to grant the licence in response to an application from the licensee for such a licence because he considers that it will help to satisfy demands in the United Kingdom for the provision of services of the type authorised, will promote the interests of consumers in respect of the quality and variety of such services, and will maintain and promote effective competition between those engaged in the provision of telecommunication services.
5. He proposes to apply the telecommunications code ("the Code") to the Licensee subject to certain exceptions and conditions throughout the United Kingdom. The effect of the exceptions and conditions to the application of the code is that the Licensee will have duties;
   (a) to comply with various safety and environmental conditions, in particular (with certain exceptions) to install lines underground or only on such above-ground apparatus as is already installed for any purpose;
   (b) to comply with conditions designed to ensure efficiency and economy on the part of the Licensee, in connection with the execution of works on land concerning the installation, maintenance, repair or alteration of its apparatus;
   (c) to consult certain public bodies before exercising particular powers under the Code, including the local planning and highway authorities and English Nature, Scottish Natural Heritage, the Countryside Council for Wales, the National Trust and the National Trust for Scotland, as well as relevant electricity suppliers;
   (d) to keep and make available records of the location of underground apparatus and copies of the exceptions and conditions in the licence to its powers under the Code; and
   (e) to ensure that sufficient funds are available to meet certain liabilities arising from the execution of street works.
6. The reason why the Secretary of State proposes to apply the Code to the Licensee is that the Licensee will need the statutory powers in the Code to install and maintain the telecommunication systems which are to be installed and run under the proposed licence.
7. The reasons why it is proposed that the code as applied should have effect subject to the exceptions and conditions referred to above are that they are considered requisite or expedient for the purpose of securing that the physical environment is protected, that there is no greater damage to land than necessary, that the systems are installed as safely and economically as possible, and that the licensee can meet (and relevant persons can enforce) liabilities arising from the execution of works.
8. Representations or objections may be made in respect of the proposed licence, the application of the Code to the Licensee and the proposed exceptions and conditions referred to above. They should be made in writing by 17 June 1996 and addressed to the undersigned at the Department of Trade and Industry, Communications and Information Industries Directorate, Room 2.67 Grey, 151 Buckingham Palace Road, London, SW1W 9SS. Copies of the proposed licence can freely be obtained by writing to the Department or by calling 0171-215 1756.

Alan D Proud
Department of Trade and Industry

17 May 1996.

Lesley Garrett as Dalinda: the staging is determined to rid Baroque opera of powdered-wig stuffiness Alastair Muir

'In your face' Handel packs a punch

Richard Fairman reviews David Alden's controversial production of 'Ariodante'

This promises to be a turbulent period for Handel, or at least the lovers of his music. At the very moment that Glyndebourne is putting the finishing touches to its new production of *Theodora*, potentially the most controversial opening the festival has ever had, English National Opera is joining in the fun by reviving *Ariodante*.

The production dates from 1993, the closing months of the "power house" regime, when ENO seemed to be driven by a desire for controversy at any price. This *Ariodante*, produced by David Alden, the most extreme of the anti-traditionalist brigade, was either the crowning glory or the last straw, depending which side one was on. People loved it or hated it. There was no middle ground at all, although in retrospect perhaps there should have been.

Alden's staging is determined to rid Baroque opera of powdered-wig stuffiness. The singers are asked to deliver their most dizzying runs of semiquavers lying face down on the floor, or lighting a candelabra, or – well, modesty forbids me from saying what Polinesso is doing during one of his solos, though it is nice to see him deriving such arousal from one of Handel's less good arias. The dances turn into meaningful "movement", including one of those dream sequences that one only ever seems to see in opera, with bald men in black dresses stripping a lone female.

All this could easily become a cliché of itself – and does. (No wonder a whole season of it drove ENO's audience away in the early '90s.) But Alden's ability to lay the emotions bare also results in some of the most powerful theatre that one is likely to have seen in Handel, putting across Ariodante's betrayal with a searing pain, as though he has torn the heart out of the opera and is standing there with its feelings bleeding in his hand.

Ann Murray is the Ariodante, as she was when the production was new, and much of the evening's impact rests with her. During the long and deeply-felt "Scherza infida" in Act 2, one of the greatest passages in any Handel opera, we see her character being stretched on the rack of pain, the hands becoming twisted with tension, the features contorted with grief. I happen to think that the music also became distorted in the drive for intensity, but this was a portrayal of immense vehemence, physically and vocally all of a piece.

Like Murray, each of the singers in this cast gives his or her all. As Ginevra, Joan Rodgers provides some of the most lovely Handelian singing to have been heard in London for a long while, colouring her music with luminous subtlety.

As Dalinda, the other soprano, Lesley Garrett is nicely contrasted, firmer in tone, more straightforward in style, but also of good quality. Paul Nilon is impressive as Lurcanio, Gwynne Howell rather gruff as the King of Scotland. Christopher Robson's Polinesso makes character do duty for voice and style, as usual. There is, however, plenty of style in Ivor Bolton's light and buoyant musical direction. All in all, this is an evening of "in your face" Handel that delivers quite a punch.

Further performances until June 4.

Theatre/**Ian Shuttleworth**

Three Hours after Marriage

Augustan wits John Gay, Alexander Pope and Doctor John Arbuthnot were at least as concerned with lampooning numerous figures in fashionable London society as with writing a well crafted romp in their collaborative play, all but unseen since its original 1717 production. The caricatures are now meaningless, leaving director Richard Cottrell to concentrate fully on the exuberant, absurd plotting. This he does with all the required verve and a keen sense of the ridiculous which, however, never extends to ridiculing the play itself.

The elderly Dr. Fossill's hobby of collecting scientific curiosities allows designer Tim Goodchild to go to town on the set: the walls and stage of the Swan theatre are covered with everything from a glass case containing supposed infant mermaids to a stuffed giraffe. The plot is likewise outrageous, if repetitive: several times Fossill discovers *billets doux* to his new bride Susannah, several times she executes last minutes stratagems to persuade him of her chastity, and several times her rival suitors Plotwell and Underplot arrive with the intention of cuckolding Fossill before he can consummate the marriage. Plotwell is also patron to Fossill's aspiring playwright niece Phoebe, whose latest work is exposed to general laughter as Gay, Pope and Arbuthnot indulge in the period's obligatory activity of sneering at poetasters.

This brew could be almost as unfunny as *The Alchemist* – with its disguises, confidence tricks and self-conscious humour – if the authors' moderate, refined sense of silliness had not been amplified by Cottrell and the clutch of performers who play the absurdity to the full but stop short of pushing it into overdrive.

Foremost among them is Richard McCabe as Plotwell, who pulls off a fine bit of Polish-comedy acting in one disguise before reappearing for gorgeously surreal confrontation with Adam Godley's suave, swaggering underplot in which the two are costumed respectively as an Egyptian mummy and a stuffed crocodile (can a crocodile swagger? Yes, when Godley is inside it). Clive Francis, in wild mutton chop whiskers and Brezhnev eyebrows, splutters energetically as the repeatedly gulled Fossill, and Jane Gurnett as his bride slips in and out of little-girl simpering as if throwing a switch, whilst giving an eloquent display of a skill seldom seen these days – acting with one's skirts. David Foxxe turns in a couple of enjoyably large performances as one of Fossill's fellow oddity-lovers and Sir Tremendous, the critic who demolishes the work of Phoebe, Alison Fiske in acres of turquoise drapery as an enraptured 18th-century "luvvie".

Three Hours after Marriage does not rank as an unjustly neglected major work; its principle *raison d'être*, a series of scabrous caricatures of particular figures, has long since become incomprehensible to all but scholars. Nevertheless, its more absurd elements are skilfully played up to create a production which is engagingly daft.

At the Swan Theatre, Stratford upon Avon, (01789 205301).

Jane Gurnett and Richard McCabe Alastair Muir

In the mood for Martinu

Andrew Clark talks to the Czech conductor Jiři Bělohlávek

A secret hope lies at the heart of Jiří Bělohlávek's work in the UK – "that the British success story in popularising Janáček in the 1960s and 1970s will be repeated with Martinu, through my activity with the BBC Symphony Orchestra."

As the world's foremost Martinu interpreter, Bělohlávek is well placed to make his dream come true. Earlier this year he became the BBCSO's principal guest conductor, celebrating his appointment with a performance of Martinu's Fourth Piano Concerto in London. He is now back in the UK with the Prague Symphony Orchestra, and Martinu's Sixth Symphony features prominently on the tour. A BBC Martinu weekend at the Barbican is promised for January 1998, and there will be concert performances of the operas.

This is good news for everyone in Britain who loves Czech music. Born and brought up in Prague, Bělohlávek says he used to tire of the way foreign concert promoters expected him to conduct Czech repertoire. But his attitude has changed. "It's natural that people should want to know how Czechs play their native music, and there are still pieces by Dvořák and other well known composers which are seldom or never heard. The BBC Symphony, for example, had never played *The Wood Dove* until I conducted it in February. They hadn't done *Taras Bulba* for 20 years. These are pieces which contribute to the whole picture of Czech music. And so does Martinu."

Bělohlávek's style is exact and objective – an excellent foil to the spiritual generosity of most Czech music-making, and just the qualities needed to master Martinu's complex textures and quirky rhythms. What Bělohlávek lacks in flamboyant charm, he makes up in industrious, long sighted determination. His performances may not always raise the roof, but they never lack fluency or technical finish.

He reached the top of Czech musical life at a precocious age. At 32 he was chief conductor of the Prague Symphony Orchestra, and in 1990, aged 44, he became music director of the Czech Philharmonic. Two years later, in a flush of post-revolutionary democracy, the musicians voted to replace him with Gerd Albrecht, a German they saw as the key to a pot of gold. It was a fatal mistake. The orchestra split into two factions and its international reputation slid. The first thing it did after Albrecht's much publicised departure in February was to come running back to Bělohlávek.

Wisely, he neither accepted the offer nor slammed the door. Instead, he took on some of the engagements vacated by Albrecht, and set out the conditions under which he would consider returning as music director. These included the appointment of a professional management (currently in the hands of civil servants), a financial reorganisation to enable the engagement of foreign players, and regular re-auditioning to maintain the orchestra's quality.

"They want jobs for life," says Bělohlávek, "and I don't think that's right. I'm asking them to sort themselves out. I gave them a theoretical analysis – I didn't want to be accused of not being interested, nor did I want to appear angry because of what happened in the past. I accept that the past four years were a necessary stage of my life, and I learned a lot. But it would be ridiculous if I accepted their offer at a worse starting point than six years ago. You can't step twice into the same river."

Still only 50, Bělohlávek has time on his side. Two years ago he founded the Prague Chamber Philharmonic, a full-time ensemble for young professional musicians. Thanks to his orchestra-training skills, it already has an international reputation. A more unexpected development is his appointment as head of opera at Prague's National Theatre from 1998. Bělohlávek has little operatic experience, and the job is an administrative nightmare. It would also get in the way of his possible return to the Czech Philharmonic.

But he sounds committed. "I want to raise the quality to a level which would make the National Theatre part of the international circuit. The company has lived through interesting times – think of personalities like Talich, Chalabala and Krombholc in the past – but it has become a backwater. It deserves closer attention to standards."

If anyone can resurrect the National Theatre, it is Bělohlávek. In the meantime he is enjoying his freedom. Among his more unusual engagements is a concert on June 1 at Mahler's birthplace in Kaliště in southern Bohemia, part of a project to restore the Mahler family house. Mahler features regularly in Bělohlávek's programmes – he is due to conduct the Sixth Symphony in London next season – but he says it would be wrong to describe Mahler as a Bohemian composer.

"We shouldn't read too much into the fact that he was born in Bohemia. Even so, a child is very receptive in his early years, and Mahler would have absorbed the sounds of the village parade-square like anyone else. Czechs have an affinity to his music because it fits our mode of expression – rapid emphases and relaxations, and long-breathed melodies."

Few orchestras baulk at a Mahler symphony, but Bělohlávek is still waging an uphill campaign for Martinu. He describes him as "a 20th century composer firmly bounded in tradition. There's a big range of quality – he wrote around 400 works, and not everything is first-rate – so it's important to choose the right pieces.

"Compartmentalising his Czech, French and American phases is misleading. It's true that these periods are recognisable, but they all belong to one life, one *oeuvre*. His time in France and the US helped him to reaffirm his own language – they gave him something to absorb, swallow and digest, and transform into his own musical world. You just have to listen to a piece like *The Opening of Wells* – it's rooted in Moravian feeling. I think Martinu's reputation is about to take off, and that's why I'm happy to be working at the BBC, because we'll have enough time to rehearse. I'm convinced the potential is there to address a broader audience."

Jiří Bělohlávek conducts the Prague Symphony Orchestra tonight in Nottingham, tomorrow at Basingstoke, on Sunday at London's Royal Festival Hall and on Monday at Wells Cathedral as part of the Bath festival.

INTERNATIONAL ARTS GUIDE

AMSTERDAM

CONCERT
Concertgebouw
Tel: 31-20-5730573
● Die Schöpfung: by Haydn. Performed by the Nederlands Kamerorkest and the Groot Omroepkoor with conductor Frans Brüggen. Soloists include Mona Julsrud, Vera Lansink, Toby Spence, Nanco de Vries and Julian Clarkson; 8.15pm; May 20

BASLE

EXHIBITION
Kunstmuseum Basle
Tel: 41-61-2710228
● Kupferstich, Radierung, Aquatinta. Werke von Schongauer bis Baselitz aus dem Kupferstichkabinett Basel: exhibition of engravings, etchings and aquatints from the 15th century until the present; from May 18 to Aug 25

BERLIN

CONCERT
Konzerthaus Tel: 49-30-203090
● Stockholm Chamber Orchestra: with conductor Esa-Pekka Salonen and pianist Yefim Bronfman perform works by Prokofiev, Beethoven and R. Strauss; 8pm; May 19
DANCE
Staatsoper unter den Linden
Tel: 49-30-2082861
● Raymonda: a choreography by Nureyev after Petipa to music by Glazunov, performed by the Ballett unter den Linden; 6.30pm; May 18

BOSTON

EXHIBITION
Museum of Fine Arts
Tel: 1-617-267-9300
● Beyond the Screen: Chinese Furniture of the 16th and 17th Centuries: exhibition focusing on 16th- and 17th-century Chinese furniture; from May 18 to May 18, 1997

BRUSSELS

EXHIBITION
Le Botanique Tel: 32-2-2183732
● Ça tourne depuis Cent Ans, une Histoire du Cinéma Francophone de Belgique: in film's 100th year, this exhibition focuses on the history of the cinema in Wallonia; to Jun 23

COPENHAGEN

EXHIBITION
Nationalmuseet - The National Museum Tel: 45-33 13 44 11
● Sultan, Shah and Great Mughal: exhibition focusing on the religion, history and culture of the world of Islam. The display includes exhibits from Danish museums and collections, together with photographs and illustrations; to Sep 29

DRESDEN

DANCE
Sächsische Staatsoper Dresden
Tel: 49-351-49110
● Rot und Schwarz: a choreography by Uwe Scholz to music by Berlioz, performed by the Ballett Dresden; 7pm; May 18

HAMBURG

CONCERT
Musikhalle Hamburg
Tel: 49-40-346920
● Konzert der Tenöre: a programme of songs and arias from famous operas, performed by the tenors Gor Arsenian, Hei Hai-Tao, Nam Du Kim, Arno Raunig and Raffaele Vitagliando; 6pm; May 18

HELSINKI

CONCERT
Opera House Tel: 358-0-403021
● Orchestra of the Finnish National Opera: with conductor Ralf Gothóni and pianists Ralf and Maris Gothóni perform works by Mozart and Schubert; 7pm; May 19

LONDON

CONCERT
Royal Festival Hall
Tel: 44-171-9604242
● Prague Symphony Orchestra: with conductor Jiri Belohlavek and cellist Ralph Kirshbaum perform works by Martinu, Dvorák and Elgar; 7.30pm; May 19
St. Martin-in-the-Fields Church
Tel: 44-171-9300089
● The Feinstein Ensemble: with conductor Martin Feinstein perform works by Mozart and J.S. Bach; 7.30pm; May 18
Wigmore Hall Tel: 44-171-9352141
● John Williams and Timothy Kain: the guitarists perform works by Houghton, Westlake, De Falla, Granados, Soler, Albéniz, O'Carolan/Garcia, Brouwer, Verdery and Hand; 7pm; May 19
EXHIBITION
Design Museum
Tel: 44-171-3786055
● 100 Masterpieces. Furniture that made the Twentieth Century: exhibition featuring 100 pieces of twentieth-century furniture. Highlights of the show include the zig-zag chair by Gerrit T. Rietveld, E1027 by Eileen Gray, the Louis 20 chair by Philippe Stark, B3 (Wassily) by Marcel Breuer and the Well Tempered Chair by Ron Arad; to Oct 6

MELBOURNE

EXHIBITION
National Gallery of Victoria
Tel: 61-3-92080222
● J.M.W. Turner: exhibition of approximately 60 paintings and watercolours by the English landscape painter Joseph Mallord William Turner (1775-1851); to Jun 10

NEW YORK

CONCERT
Carnegie Hall Tel: 1-212-247-7800
● American Composers Orchestra: with conductor Ingo Metzmacher and violinist Elmar Oliveira perform works by Taylor, Wuorinen, Singleton and Varèse; 3pm; May 19
EXHIBITION
Whitney Museum of American Art
Tel: 1-212-570-3600
● Willem de Kooning's Door Cycle: exhibition reuniting a series of paintings created by De Kooning in the mid-1960s. The series consists of individual female figures painted on hollow-core wood doors accompanied in this exhibition by tracings and oil transfers of the door images; to May 26

PARIS

CONCERT
Salle Gaveau Tel: 33-1 49 53 05 07
● Thomas Allen: accompanied by pianist Malcolm Martineau. The baritone performs songs by Beethoven, Brahms, Mussorgsky, Butterworth, Somerwell, Britten and Hughes; 8.30pm; May 20
Théâtre du Châtelet
Tel: 33-1 42 33 00 00
● Chamber Orchestra Stockholm: with conductor Esa-Pekka Salonen and soprano Faye Robinson perform works by Lindgren and Schoenberg; 8pm; May 20
EXHIBITION
Galeries Nationales du Grand Palais Tel: 33-1 44 13 17 17
● Les années romantiques 1815-1850: exhibition of some 180 paintings and watercolours by French artists, created between 1815 and 1850; to Jul 15
OPERA
L'Opéra de Paris Bastille
Tel: 33-1 44 73 13 99
● Manon Lescaut: by Puccini. Conducted by Sebastian Lang-Lessing and performed by the Opéra National de Paris. Soloists include Miriam Gauci, Jean-Luc Chaignaud and Fabio Armiliato; 3pm; May 19

ROME

OPERA
Teatro dell' Opera di Roma
Tel: 39-6-481601
● La Sonnambula: by Bellini. Conducted by Patrick Fournillier and performed by the Opera di Roma. Soloists include Kathleen Cassello, Bruce Ford and Roberto Scandiuzzi; 6pm; May 18, 21 (8.30pm)

TOKYO

CONCERT
Kioi Hall Tel: 81-3-32370061
● Maria João Pires and Augustin Dumay: the pianist and violinist perform works by Schubert; 7pm; May 18

WASHINGTON

CONCERT
Concert Hall Tel: 1-202-467 4600
● José Carreras: accompanied by pianist Lorenzo Bavaj. The tenor performs songs from operas by Verdi, Bizet and others; 7pm; May 19
EXHIBITION
National Gallery of Art
Tel: 1-202-7374215
● Harry Callahan: this exhibition of approximately 125 photographs examines Harry Callahan's contribution to American photography; to May 19

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WORLD SERVICE

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Squawk Box

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European Money Wheel

18.00
Financial Times Business Tonight

Philip Stephens

Divided we stand

Clashes of ego are nothing new in politics but differences over fundamental points of policy are a danger for Labour

Tony Blair is feeling sore. He has prospered amid the discord in John Major's government. Now the airwaves are full of the feuding in Labour's shadow cabinet. This is important. Until now the opposition has been responsible for nothing more than organising a few glitzy press conferences. Soon it may be running the country. Look at the miserable state of the Conservative party and you understand why discipline counts.

Mr Blair saw the dangers this week at one of those extravagant press launches. He was there to promise a New Deal for a lost generation of unemployed, under-educated young people. Here were the specific policies, the substance, his critics had demanded. The journalists in the audience had other matters in mind.

Who was fighting whom in the shadow cabinet? Was Gordon Brown, the shadow chancellor, on speaking terms with Peter Mandelson, one of Mr Blair's closest allies? Why had John Prescott, the deputy leader, publicly attacked Mr Brown's plans to revamp the Treasury? And why had Mr Brown told Chris Smith, the social services spokesman, to *rewrite his plans for reform of* the welfare state?

Mr Blair's response came through as gritted a smile as I have seen in politics. The stories were nothing and nonsense, drivel, media invention. It was the Tories who were ideologically riven. A few hours later he told the shadow cabinet to cut the squabbling and stop the briefing. Mr Blair cannot have it both ways.

Of course, the media is mischievous, frequently prone to hyperbole and, sometimes, downright malice. We are in an age of personality politics. The style of reporting at Westminster is calculated to amplify clashes of egos and ambitions. It is a game played for big headlines and higher sales at the news-stands.

The process ignores the reality that the parties have always been broad coalitions. Instead it starts from the absurd but convenient supposition that everyone must agree on everything. Inevitably ministers or their shadows occasionally speak the discordant truth. Gotcha! We have a split, a rebellion, a conspiracy. It is the oldest trick. Pretend they are saints and all their *sins are mortal.*

The latest shadow cabinet shenanigans are not to be dismissed so lightly, however. There is something going on. Mr Blair's colleagues may not be at war with each other. But these are early days. And it takes only a few conversations to discover that they are not exactly humming from the same hymn-sheet.

In part it is about the anticipation of power. Mr Blair is obsessively cautious about the outcome of the general election. Others are complacent, all but certain of victory. Soon they will have their own Whitehall baronies. So they are measuring up their ministerial offices, jostling for position ahead of the power struggle in the real cabinet.

Then there are the long-standing rivalries and jealousies. It is no secret that Robin Cook, the shadow foreign secretary, has never been persuaded of Mr Brown's grasp of economics. Mr Cook considers he would do a far better job. For his part, Mr Prescott finds himself in a curious limbo. He is Mr Blair's elected deputy but has no departmental portfolio. He must ensure that his voice is heard. And, like Mr Cook, Mr Prescott is not among Mr Brown's natural admirers.

> So far Tony Blair has been skilful, staying on good terms with all the warring protagonists without playing them off one against the other

These are the big three in Mr Blair's shadow cabinet. They know about power. And they want it. One of those who watches them week by week says that, together, they behave like three . . . No, on reflection, that sort of language is not suitable for this newspaper.

The tension between Mr Mandelson and the shadow chancellor has different roots. Mr Brown feels that Mr Mandelson was less than loyal in the leadership struggle which followed the death of John Smith. The relationship matters because they will play pivotal roles in the election campaign. Mr Blair, a good friend to both, has told them individually to put winning ahead of their differences.

None of this should surprise us. You would find the same *tensions in most company* boardrooms. Sometimes they are creative, sometimes destructive. And, against the backbiting, intrigue and sheer treachery which fractured *Harold* Wilson's cabinets during the 1960s, the present bunch looks like a well-behaved Sunday school.

Where such clashes of egos and ambitions become dangerous is at the point when they connect with fundamental differences of policy. Thus the Wilson cabinet disintegrated in battles over devaluation and industrial relations. Thus Margaret Thatcher's relationship with Nigel Lawson and with Geoffrey Howe broke over policy towards sterling and Europe.

Herein lies the threat for Mr Blair. Put aside the personal rivalries and the posturing ahead of the annual shadow cabinet elections (which Mr Blair would like to, but may not be able to, scrap) and public spending and the role of the Treasury emerge as the real battlegrounds. If there is anything that will divide the next Labour government it is economic policy.

Chris Smith and his spending colleagues are waking up to the realisation that when the shadow chancellor insists on "hard choices" he means it. Mr Brown knows the outlook for public borrowing is dire. Treasury officials are already *drafting briefs recommending* that an incoming Labour chancellor should raise taxes. So Mr Brown has no intention of handing out the odd £500m here or £1bn there to make life easier for his colleagues – either side of the election.

It is this embrace for fiscal orthodoxy that has put him at odds with Mr Smith, and with David Blunkett, the education spokesman, over reform of child benefit and the welfare state. They see him trampling over their turf. He sees them as unwilling to take tough decisions. And it is Mr Brown's determination that the Treasury has unchallenged authority in a Labour administration which so *alarms Mr Prescott.*

How this all develops will depend on Mr Blair. So far he has been skilful, staying on good terms with all the protagonists without playing them off one against the other. He has displayed none of Mr Wilson's Machiavellian insecurity. Perhaps his relationship with Mr Brown will never recover fully from the trauma of the succession. Some detect signs that the two men disagree on a single European currency. Mr Blair is doubtful Britain could join in 1999. Mr Brown seems more hopeful. Echoes there of Mrs Thatcher and Mr Lawson.

But the Blair/Brown axis remains the closest alliance in the shadow cabinet. On the central questions of economic management there is not a cigarette paper between them. If Mr Blair is serious about leading a different sort of Labour government, he needs Mr Brown. For now and the foreseeable future the two men stand or fall together. It might be different after a few years in power.

LETTERS TO THE EDITOR

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'Shock therapy' works, if properly implemented

From Dr. A.N. Illarionov.

Sir, Prof Georgy Skorov attempted in his letter of May 7 to prove that a gradual approach to economic reform is superior to the shock therapy applied in Russia. However his arguments simply proved the opposite.

It is not only small countries, like Estonia and Slovenia, that are examples of the success of radical reform. The Czech Republic (10m population), Poland (39m), Vietnam (74m), and China (1.2bn) also do quite well, due not to their size but to the right policies being implemented.

To ascribe Estonia's achievements to "windfall profits from re-export of smuggled non-ferrous metals from Russia" is a myth. The fourth largest exporter of aluminium, worth $2.2bn, was Russia. Estonia was not even among the top 50 biggest aluminium exporters. And if metal exports boost growth, why would they do so in Estonia and not in Russia? In fact, in 1992-93, when metal exports represented 5.1 per cent of its gross domestic product, Estonia experienced a sharp economic contraction while in 1994-95, when they represented 4.5 per cent, growth resumed. There is no positive correlation between a country's wealth of natural resources and its economic health.

It is a mockery to champion the gradual approach, as with the Czech Republic and Slovakia, against Russia's choice of "rapid reforms". Hungary moved gradually, but government spending is still so high its budget deficit has jumped to 9 per cent of GDP. Foreign debt has soared to $30bn ($3,000 per capita) and total debt service has rocketed to $7.5bn a year. Last year, growth declined to 1.5 per cent. Meanwhile, "shock therapists" (Estonia, Czech Republic, Slovenia, Lithuania, Slovakia, Armenia, Poland, Albania, Vietnam and China) showed growth rates of between 3 and 11 per cent a year.

Compared with Hungary, Russia's path to a market economy was, in fact, much more gradual, inconsistent and contradictory. That is the reason for the disappointing outcome. It is not "shock therapy" that should be rebuked but the Russian authorities, who talked of shock therapy but implemented gradualism.

The lesson to be drawn is that where radical transformation took place it drew strong public support, but where it did not there was deep social frustration. Another lesson is that observers should not just take authorities' statements on trust, but should consider their actions, too.

A.N. Illarionov,
director,
Institute of Economic Analysis,
Slavyanskaya Sq. 4, Bldg 2,
Moscow 103074, Russia

Names must face gamble

From Mr James Hodgson.

Sir, Your leader "Recovery path at Lloyd's" (May 13) is a shameful piece of Lloyd's propaganda. In reality the offer benefits only Lloyd's operators because it is they who will face ruin if the external Names give it the thumbs down. Lloyd's senses that this is the time for another final "final" offer because some of the action groups have said that the external Names are war-weary. That is not strictly true.

The bait to accept the offer is "finality". Equitas does not offer finality, only the possibility. It is a gamble which will make us worse off than we are now if it fails.

The external Names will pick up the tab, because the idea of the offer is for Lloyd's to put itself out of reach of past losses, to entice the corporates to join and replace the Names who have been rocking the boat.

We have to give up the right to litigate. Lloyd's would love this. If the offer goes down, who stands to lose? The answer is not us, but the brokers, agencies, underwriters, auditors and others who have flourished during our misery and will make more money if they can get rid of us.

The evidence is there. Suddenly the cost of Equitas is almost halved, the auditors are finding £100m and another £200m-£300m is coming somewhere from Lloyd's. It is a charade which would be laughable if it were not so serious.

The Department of Trade and Industry issues threats. Why would it do this if it was not worried about its own skin? It has no need to worry, nor do we because Lloyd's self-interest is at stake. But suppose this is wrong. Suppose it goes down? This would be the chance overnight for the DTI to clear out the rotten apples and appoint the new blood Lloyd's needs for genuine recovery.

Thus, with a thumbs down we either get a proper offer on our terms or, because they could not survive the loss of face for failure, the old guard has to go. Justice will be done either way.

James Hodgson,
5 Medina Terrace,
Hove, E Sussex, UK

Proposals for dealing with crime miss root of problem

From Mr Geof Rayner.

Sir, I read Michael Prowse's article "Paying for crime" (May 13) with great interest, though with little enthusiasm for his recommendations. On the one hand, he sympathises with the US "lock them up" strategy; on the other he calls this policy "mindless" and wants a more "imaginative approach" to punishment.

Neither route, I fear, will be effective in reducing crime or its impact. What is clear is that in states with the most repressive legislation, like California with its "three strikes" legislation, spending on prisons is now undermining education, with potentially serious results for its "high tech" industrial image.

According to the US think-tank, the Rand Corporation, spending on prisons in California is set to double by the year 2005; given that enrolment in schools will also increase by 30 per cent over the same period, this means that California, which already spends below the national average on education, will have to turn away students from state universities and colleges. Rand estimates that more than a quarter of a million people will be affected.

Prowse admits that repression, plus or minus his ideas for restitution of victims, does not address the social roots of crime. Unfortunately, neither the current crop of US politicians nor the UK's home secretary seem able to consider the prevention alternative, perhaps because this lies outside their repressive, "tough on the criminal" ideology.

In California, one potential consequence is that some young people, denied further education and a sense of a career, will turn to crime.

Of course, another group of young people will find jobs – as the employees of California's burgeoning prison system.

Geof Rayner,
secretary,
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Europa • Pauline Neville-Jones

Don't blame the Europeans

Claims from the US that Europe is moving towards partition in Bosnia are offensive

Sometimes sideswipes between policy-makers find their mark even if those on the receiving end are reluctant to admit it. But the assertions made by Richard Holbrooke, US negotiator at Dayton, in the May 20 issue of Time magazine about European policy towards Bosnia is not one of those occasions. He has gone over the top and risks damaging an effective US-European joint endeavour. I write in the name also of my fellow negotiators, Jacques Blot of France and Wolfgang Ischinger of Germany.

In an article which makes important points about the challenges still facing the international community and local leaderships in the implementation of the Dayton peace agreement, Mr Holbrooke makes two assertions which do not stand up.

First, he claims that certain (unnamed) important European officials, *while apparently* continuing to support the objectives of the agreement, are "privately writing off Dayton's political provisions and preparing the ground for de facto partition next year".

This charge is as unrecognisable as a description of policy being carried forward in European circles as it is offensive to the integrity of those involved. There is no evidence to support the thesis that European policymakers are moving towards partition.

Indeed, it would be an odd objective to aim at. This is our continent. We, as Europeans, have at least as strong a stake as the US in securing stability and prosperity in a part of Europe which has been a victim of the break-up of the cold war order.

We are far from convinced of the reality of the choice implied in Mr Holbrooke's comment that to Europeans "a divided country might seem preferable in the short term than a resumption of war".

In our view, a switch to the partition track now could easily lead in the short term to a resumption of fighting.

Europeans want the Dayton agreement to succeed on its own terms and are making very considerable efforts to this end. These range from bearing our share of the costs of the Implementation Force (Ifor) – of the 55,000 troops involved in Bosnia, roughly 28,000 come from European countries (not including Russia) and 18,000 from the US.

Europeans bear, by far, the largest share of the cost of economic construction. *According* to the World Bank, of the $1.86bn pledged so far in economic aid about half comes from European sources, compared with $282m from the US.

Numbers are not the whole story, of course. In many policy areas, Europeans are leading the effort to knit the country together again. I can give two examples at different ends of the spectrum.

The European Commission leads the unsung work to dismantle the present barriers to free passage of goods within Bosnia and create one customs service for the entire country. Unglamorous. Painstaking. Difficult. Success is not likely to attract attention – though its absence would. And the effort is indispensable to creating a united country. This small example is being multiplied many times over in other areas of civilian implementation.

At the other end of the spectrum are the spectacular issues drawing much attention – none more so than the gauntlet thrown down before the world by Radovan Karadzic, the Bosnian Serb leader. Despite being an indicted war criminal, he clings to power in Republika Srpska, purporting to sack his prime minister, Mr Rajko Kasagic, for co-operating with the international community.

Why has Mr Karadzic himself brought matters to a head? Because he could see a real impact being made by the determined policy of destroying his power base, espoused by Carl Bildt, the international community's High Representative who leads civilian implementation of the peace accords in Bosnia-Herzegovina. Mr Holbrooke points to the relevance of the removal of Mr Karadzic and General Ratko Mladic to attaining the goal of a unified Bosnia. We agree.

Mr Holbrooke's *second assertion* is that civilian implementation compares unfavourably with the success of military implementation under US leadership. The structures of the former, he says, constitute a "messy, ineffective arrangement insisted on by the Europeans", creating "multiple chains of command and little enforcement authority".

Messy, yes. Ineffective, we shall see, though certainly not straightforward. But *insisted on by the Europeans? This is a* travesty of the negotiating history.

The European negotiators at Dayton wanted two things in this area. First, an organisation for civilian implementation which gave the individual charged with overall responsibility clear authority over the numerous international agencies necessarily involved. Under the present set-up they operate autonomously. Second, we wanted the top job to go to a European – a not unfair objective, given the proportion of the effort likely to fall this side of the Atlantic.

We encountered resistance on both scores and were left wondering if the aim was to prevent any structure headed by a European having real authority. We agree with Mr Holbrooke that the compromise arrived at in the end game was somewhat less than ideal. It will need looking at before embarking on any further phase of civilian implementation beyond 1996.

Given the hand dealt, the remarkable thing is how forceful a role Carl Bildt has been able to play. The continuing support of both sides of the Atlantic to his effort will be indispensable to the success of the peace process.

Since the signing of the peace agreement in Paris in December, much has been accomplished on the civilian side of implementation. Anyone who visited Sarajevo at the end of the war and who goes there now will be struck by the strides made. Undeniably much remains to be done. Big challenges lie ahead.

Economic reconstruction and the return to the country of the estimated 25 per cent of the 1991 population who became refugees in the war are only now beginning following the stabilisation of the internal security situation and the end of a long winter.

The next big task is holding genuinely free elections in all of Bosnia-Herzegovina. Creating the conditions for these, including real freedom of movement, of association and of speech for a population still too scared to travel at will or speak out, will not be easy.

As a spur to further action, it is right to be frank about the difficulties that still lie in the way of success. But with determination and commitment all round, including from local leaderships in Bosnia, they will be overcome. The opportunity to register our united stance will come at the review conference in Florence on June 13-14. Transatlantic co-operation may not guarantee success. But we profoundly agree with Mr Holbrooke that discord would be the midwife of failure.

Europe's burden: a Swedish peacekeeper near a Tuzla minefield

The author led the UK negotiating team at Dayton and is now a senior adviser to Carl Bildt.

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A risk-free asset

The US Treasury's decision to issue inflation-indexed bonds is a sensible practical step, long advocated in these columns.

If properly constructed, indexed treasuries will serve a number of purposes. They will provide as close to a risk-free asset as dollar-denominated investors are ever likely to get – a benefit for pension funds as well as the individual investors at whom the new issues are apparently to be targeted. They will save a significant amount of money: based on UK experience as much as a full percentage point of debt service.

By offering a guide to the market's implicit expected inflation rate, they provide an additional tool for setting monetary policy. And by establishing a form of US government borrowing in which the nominal interest rate rises when inflation increases, they remove the attractions of default-through-inflation for at least some of the government's debt.

There are two cautionary notes to sound, however. The first is the importance of getting the details right – in the structure of the instruments, the issuance techniques, the choice of inflation index and even such minutiae as the timing of the indexation adjustment. The eight-month lag in the adjustment of UK index-linked gilts is an undoubted drawback, for example.

The second is that such instruments, however attractive they may be to the government issuer, to the monetary policymakers, and to the cautious long-term investor, will not get Wall Street's juices flowing. Today's bond investors look for capital gains as much as yield, and they thrive on turnover and on the abrupt swings of sentiment sparked by short-term changes in inflationary expectations. An ancillary industry of stripped and other exotic variants has been created.

Against such a background, an index-linked instrument is by definition a boring asset. Just as UK index-linked gilts tend to vanish into long-term portfolios, rarely to emerge, US inflation-protected treasuries will also change hands less often than conventional bonds. Hot-shot money-managers will rarely trade them; gurus will rarely be heard singing their praises. They will form a portion of some of the dullest portfolios, and feature in the worthier analyses of inflationary expectations and monetary policy.

None of that need matter. As long as there is just enough trading activity – as there is in the UK – to create the perception of an adequately liquid market, the US government will be able if it chooses to issue a steady flow of inflation-protected instruments. In the UK, the proportion has now risen to more than 15 per cent.

Such a scale of issuance is more than enough to achieve worthwhile savings on government debt, to meet the needs of those investors for whom inflation protection is important, and to provide a helpful signal for monetary policy. The new instruments deserve a warm welcome.

Memory loss

Anniversaries are either much celebrated or studiously avoided in modern China. May 16, the day recognised as the start of the Cultural Revolution in 1966, was an avoided anniversary yesterday. The Cultural Revolution was Ten Years of Chaos orchestrated by the Gang of Four, or at least they are the slogans used by the Communist party to explain away responsibility for the tragedies which touched hundreds of millions of Chinese. The truth of the period is hidden behind the shame of the persecutors and the silence of the persecuted, which includes the many stripped of dignity, if not actually physically abused.

In an era when revolution has become unfashionable, it is difficult to imagine the motives of Mao Zedong in his quest for a "permanent revolution". He allowed the growth of a grotesque cult of personality that gave supernatural powers to surgeons or factory workers who allowed the Little Red Book to guide their hands. The revolution turned out to be temporary, but the scars of the social manipulation have yet to heal. The Communist party is still unable to confront the past. One reason for that reluctance is the survival of elderly leaders whose reputation would suffer if their role during that decade was subject to the harsh light of critical scrutiny.

The prospect of a South African-style Truth Commission to sort out the past would also be unacceptable to many other Chinese. Part of the truth is that the chaos of the period was a cover for the settling of old personal grievances or a sudden career opportunity for the ambitious. Then there is the torment of memory suffered by millions of honourable individuals who witnessed injustices but did not intervene.

Along with personal credibility, the Communist party and its ideology were undermined, opening the way for the economic reforms which have provided life choices most Chinese would have thought unimaginable in 1976, when Mao died and Deng Xiaoping began to rebuild his profile within the party. That economic liberalism worked was quickly obvious to a deprived people who had been told that it is "better to be red than expert" and were offered slops in grim communal kitchens.

But the remarkable development of the last two decades has taken place in a country yet to come to terms with its immediate past. Academics are permitted narrow fields of study that keep the Communist party out of firing range. Makers of films, at least those screened in China, are able to show some of the suffering without seriously addressing its causes. China needs to look at itself in the mirror. Without that self-examination, a country that survived the Cultural Revolution will struggle to cope with the social consequences of the present cultural revolution.

Dole's surprise

A year ago anyone wishing to place a bet on Bill Clinton's re-election could have done so at very favourable odds. Then there was a moment in early March when many pundits were close to writing off Bob Dole's bid for the Republican nomination. In the event he secured the nomination, but in the last few weeks it has become fashionable to speculate on the number of Republican senators and congressmen he will drag down to defeat with him.

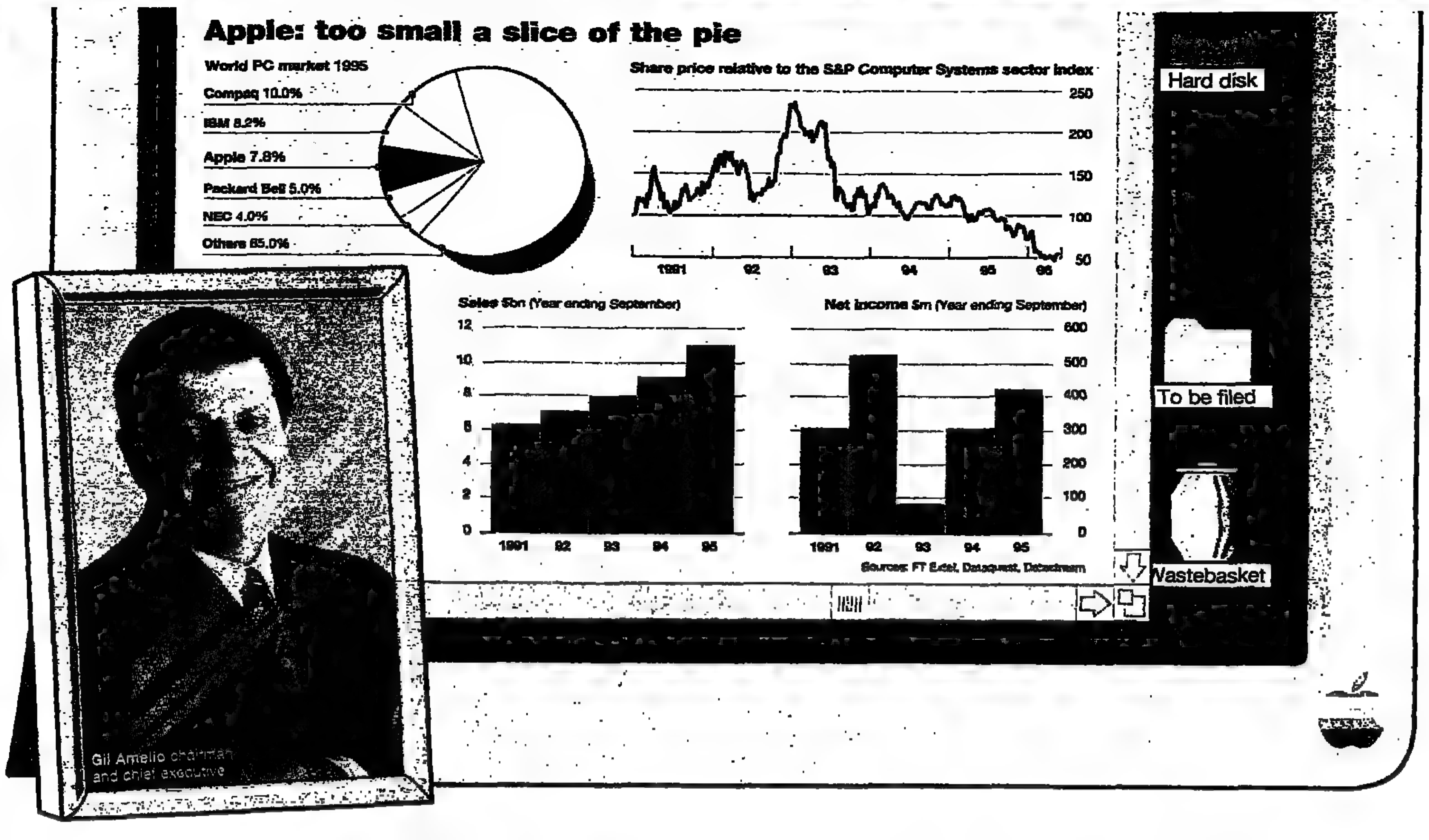
To say that Mr Dole's renunciation of his Senate seat has now put him back in the race would be wrong, for two reasons. First, it is not clear yet that this move has changed the dynamics of the campaign. Secondly, it was premature to assume that Mr Dole was out of the race before he made it.

Mr Clinton, it is said nowadays, is an indifferent president but a superb candidate. But the two functions are not really separable. If he now appears a strong candidate, that means voters think he is not such a bad president after all, at least when measured against available alternatives. Conversely, if something goes badly wrong with his presidency between now and November it is eminently possible for him to lose.

What is wrong with Mr Dole? He is old. He is a quintessential Washington insider. He often mumbles incoherently when an inspiring soundbite is needed. And this sporadic aphasia clearly reflects unwillingness, or inability, to take clear positions on issues – such as abortion – which sharply divide his own party.

Those are real weaknesses, but they are not of the type that would stop voters turning to Mr Dole if Mr Clinton again began to look hopelessly incompetent or disreputable – if, for instance, growing numbers of US soldiers were killed in an apparently uncontrollable degeneration of the Bosnian peace process; or perhaps if the Whitewater affair took an unfavourable turn. Even then, Americans might be reluctant to confide their destiny to someone seen as an extremist, like Barry Goldwater in 1964 or Pat Buchanan now. But they would probably turn with relief to Mr Dole as a man of sound moral character and long experience, whose natural home is clearly on the moderate wing of his party.

In breaking away from the Republican majority in Congress, now seen as extreme and fractious, Mr Dole has done something necessary, though not sufficient, to revive his candidature. In resigning not only the majority leadership but his Senate seat, he has for once caught the public imagination with a grand gesture, and so regained the initiative at least momentarily. And with the help of a new speechwriter he also showed that he can sometimes strike the right note. He is not "back in the race". He has reminded us that the race has nearly six months left to run.



Gil Amelio chairman and chief executive

Amelio's Apple turnover

After 100 days in the job, the chairman has now set out his radical survival plan for the ailing computer company, writes Louise Kehoe

Gil Amelio means business. After 100 days at the helm of Apple Computer, the struggling personal computer industry pioneer, he is imposing some old-fashioned discipline in a company renowned for its counter-culture.

Deliberately flouting Apple's vaunted casual dress code – which created the "business casual" fashion – the chairman comes to work in a conventional suit and tie. It is a signal to Apple's employees, he says, that it is time to "get serious about running our business".

The changes, however, go far beyond trading T-shirts and jeans for pinstripes. This week, Mr Amelio announced a reorganisation of Apple's operations into divisions that will each be responsible for their own financial performance.

"A year from now, Apple is going to be a very different company . . . noticeably different," he says.

His most important priority is to return Apple to profitability. Last month the company reported losses of $740m (£486.80m) for the quarter to March 29, including a $388m write-off of excess stock and a series of restructuring charges. Sales, at $2.2bn, were down 18 per cent from the same period last year.

Mr Amelio, formerly chief executive of National Semiconductor and a member of Apple's board, was drafted in to lead the company in February, after the departure of Michael Spindler, who took the blame for Apple's decline.

As he tries to knock the company back into shape, Mr Amelio spares few punches. "Apple is at a crossroads," he says. "One road leads to prosperity . . . [the other] a slow decline into irrelevancy."

The outcome will depend on "how well this organisation can . . . set aside individual agendas and united rediscover the elements of greatness that led us to the forefront of this industry".

Such comments reflect his wish to change the culture of a company where employees have felt free to question management decisions – or even defy them. Now he is insisting on a more conventional approach to managements, in which managers respond to his edicts.

Those who have business dealings with the company have already noticed a difference. "In the old days at Apple, you had product managers who would veto what the CEO said, but not any more," says Mr Alan Lefkof, chief executive of Farallon Computing, a developer of PC application programs.

One of Mr Amelio's edicts has streamlined the company's Macintosh product line, which represents about 80 per cent of revenue. The range of some 82 products is to be cut to about 40 during the next 12 months. "After that, I will set a new (lower) target," he says.

By eliminating multiple products with differing circuit-board designs and components, Apple will reduce total costs by 15 per cent, he says.

The decision may help improve profit margins, but nonetheless it is controversial. In the past, the company has offered a wide range of Macintosh models aimed at particular segments of the PC market such as education – the range will now have to be much smaller.

Apple may also lose the ability to respond quickly to the development of new components such as faster microprocessors or higher-capacity disk drives by adding new models to the range. This would put it at a disadvantage in competing with leading manufacturers of PCs running Microsoft Windows which typically upgrade products at least twice a year. Another of Mr Amelio's edicts has been to stop Apple software developers working on projects that compete with those of independent companies developing Macintosh software. This is designed to boost third-party development of new programs for the Macintosh, which is critical to Apple's success.

As a further attraction to the independents, Mr Amelio told a gathering of some 4,000 software developers on Monday that during the next 12 months he will spend $20m on co-marketing programs with them. In return, Apple will be seeking commitments that they will release new programs for the Macintosh simultaneously with versions for competing Windows PCs, instead of several months later as is often the case now.

However, this will increase Apple's dependence on software companies which have preferred to put most of their resources into developing programs for Windows PCs, which account for more than 90 per cent of the world market.

It also raises questions about Claris, Apple's successful software division which produces programs for both the Macintosh and Windows PCs. Asked whether it will be sold, Mr Amelio simply says: "We are considering all options."

Industry analysts point out that the only sure way to win software developers' support is to increase the potential market for their programs. The company will do this, Mr Amelio says, by "aggressively licensing" its Macintosh technology to other computer manufacturers.

However, this has been Apple's stated policy for more than a year – and only a few small computer manufacturers have signed up to build Macintosh clones so far. Most leading PC manufacturers have rejected the idea, according to industry analysts.

Mr Amelio seemed to have achieved a breakthrough when he announced on Monday that Apple and International Business Machines are jointly developing a notebook computer which both companies intend to market.

But its potential may be limited as it is understood to be a pocket-sized computer aimed at Asian markets. IBM also confirmed this week that it still has no plans to offer mass-market PCs capable of running Macintosh software.

Even as Mr Amelio tries to bolster Apple's core Macintosh business, he is pursuing a new vision.

"I have a dream," he said, "that Apple can fulfil its destiny to bring computers to the rest of us, the non-techies, through technology that is powerful yet elegantly simple."

In the short term, this will mean incorporating programs in Macintosh software that allow users to access the Internet. Looking beyond the present Internet frenzy, however, Mr Amelio believes the next "megatrend" will be "digital appliances". He envisages a range of gadgets for the kitchen or living room, such as smart telephones, pocket computing devices and games machines. He has created a new product division and redeployed some of Apple's research and development efforts to build prototypes.

"Only about 7 per cent of the world's population uses a computer, or has access to one," he says. "Within five years, this may rise to 15 or 16 per cent. But what about the other 85 per cent?"

"This is the big opportunity for Apple," says Tim Bajarin, president of Creative Strategies, an industry consulting group. Mr Amelio has recognised, he believes, that Apple's strength lies in its ability to make technology easy to use, rather than in the cut-throat PC market.

Apple missed its opportunity to establish Macintosh technology as a standard for desktop computing ten years ago, Mr Bajarin says. But he believes there is an opportunity for it to seize a lead in the emerging market for digital appliances.

The challenge for Mr Amelio, however, is to reinvigorate Apple's core business at the same time as he pursues new opportunities. This proved the downfall of one of his predecessors, John Sculley, who was Apple's chairman and chief executive from 1983 to 1993.

He resigned after launching the Newton "personal digital assistant", a hand-held device that "read" handwritten notes. The aim was to create a new category of products for Apple. But the Newton failed to live up to expectations and Mr Sculley was accused of neglecting the personal computer business.

With Apple's Macintosh business now in decline, Mr Amelio cannot afford to wait too long for long-term visions to materialise. But he remains confident that he can restore the company's fortunes.

"People have been speculating on whether Apple will survive," he says. "But a year or so from now, they will look back at this period in Apple's history and ask what the fuss was all about."

In the meantime, however, Apple has some difficult times ahead. It will be another six months or so before Macintosh sales begin to pick up, Mr Amelio predicts, and probably longer before his plans for "digital appliances" materialise. "I wish we could be invisible for 9-10 months, but we don't have that luxury," he says.

· OBSERVER ·

Old man tributaries

■ Times were that Republicans were an endangered species in Mississippi. But it has been the most Republican state in the union for more than 20 years, and Bob Dole's departure from Congress underlines just how important its personalities have now become to the Grand Old Party.

The principal contenders for his job as majority leader are the two Mississippi senators, Trent Lott, now Dole's deputy, and Thad Cochran. Chairman of the Republican national committee – and hoping to do for Dole what the late Ron Brown pulled off for Bill Clinton in 1992 – is Haley Barbour, whose accent is equally unmistakeable.

There may be a little bit of animus between Lott and Cochran. Though both were first elected to the House in 1972, Cochran graduated to the Senate in 1978, 10 years before Lott, only to be overtaken in the party leadership hierarchy by his junior colleague.

Of course, if Cochran decides that he wants to play it rough, he could choose to remind all and sundry that Lott's best known protégé from his days in the House is a certain Newt Gingrich, the Speaker and probably the most unpopular Republican in the country.

But that might not be fitting for a southern gentleman.

Muscle-bound

■ It seems that there is now a thriving collectors' market for Olympic memorabilia.

A silver medal from the 1904 games is now worth at least $15,000, while one of the rarest artefacts – a handwritten, coloured and bound book on the 1936 Olympics, from the library of a certain Herr Schickelgruber – has changed hands for almost $10,000.

Not that the sordid world of commerce is intruding upon the clean-cut, first-to-breast-the-tape amateurism of the games themselves. Well, not much. So we may perhaps excuse the Atlanta Olympic committee for offering a limited-edition set of five gem-encrusted Olympic pins for $50,000, or tempting us with an 18-carat gold Theo Faberge egg, at $5,000.

Next thing you know they'll be flogging a platinum-studded statuette of some hairy weightlifter. Purely in the interests of sport, you understand.

Miraculous Mikhail

■ Oh dear, you would think he'd have more commonsense. Out on the campaign trail for the Russian presidency is Mikhail Gorbachev. You remember the guy – burly, big smile, prominent birthmark, Nobel Peace prize winner 1990. . . you know, that bloke who ran the Soviet empire until Boris Yeltsin shouted at him.

Anyway, despite the fact he lacks the support of a major party – and is expected to poll at most two per cent – Gorbachev is trying to become the president, elections for which are scheduled for June 16. He should sack his speechwriter – or maybe hire one.

In Krasnogvardeisky yesterday – in the heart of his native Stavropol region – he came in for some fierce barracking. All part of the cut-and-thrust of democratic life, you might think, but Gorbachev obviously got a bit flustered. "I will fight to the bitter end and will not withdraw my candidacy, even if I am crucified," he told his hecklers. "Some of you are so overexcited your hands are trembling. It reminds me of Jesus Christ on the way to Golgotha, when people spat at him," he added.

And the election is still a month away.

Saline solution

■ Looks like ex-President Carlos Salinas is being displaced as Mexico's favourite villain; the new menace is a phenomenon known as *chupacabra*, or goatsucker.

Throughout north and central Mexico peasants and farmers have found goats, sheep, and birds drained of blood, following an encounter with a mystery assailant.

Some Mexicans are blaming extra-terrestrials, others a creature supposedly combining the features of a bat and a dragon. In any case, the *chupacabra* shows no sign of having quenched its thirst.

Not that Salinas is entirely off the hook, safe in his self-imposed exile. The goatsucker reportedly has rather large ears, as does Salinas. A gift to the country's cartoonists and reporters, who have decided that such a coincidence cannot pass unnoticed. . .

Hell hole

■ A recent arrival at the gates of Hell was surprised to find that while there was only one heaven there were two types of damnation – communist and capitalist.

As a former banker, he decides to opt for the latter, and is handing over his gold cards and mobile phone when it rings one last time.

It is a call from his father, a former stockbroker, advising his son to think again and join him in red Hell. The son is suspicious and wants to know why the communist version is so much better.

"It may not be paradise, son, but the gas and electricity have been off since last Wednesday and the central committee are still working on a five-year plan for pitchforks, even though it is over 20 years since Krushchev checked in."

The Financial Times

50 years ago

Plan for India
The plan for a union of India which was announced yesterday may or may not provide the means of breaking the deadlock between Congress and the Muslim League. Time will show. But the plan itself shows quite clearly that we, the British, intend to leave India to her own guidance as soon as possible, and is, therefore, a major event in British history. It marks the beginning of the end of that intimate association which has been for so long a cornerstone of the Empire, and from which both this country and India have gained much.

Chancellor on City Yardstick
Second reading of the finance bill in the House of Commons: Declaring that the Chancellor of the Exchequer [Mr. Dalton] seemed to have no respect whatever for economy, Mr. Brendan Bracken (who wound up for the Opposition), said we had an inflated Budget, an inflated currency, and an inflated Chancellor. (Laughter.) So far the Chancellor's proposals had been no check on inflation. They called him in the City of London "The Casino Chancellor."(Laughter.) At least they did until yesterday, but after the muddle he had created by the new issue of Savings Bonds gamblers were less happy about their hero.

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FINANCIAL TIMES
Friday May 17 1996

LACOSTE

Policy reversal on draft may be vote winner

Yeltsin pledges to end conscription by 2000

By Bruce Clark in Brussels and Chrystia Freeland in Moscow

Russian president Boris Yeltsin yesterday ordered a radical change in the world's second-largest standing army with a decree to abolish conscription by 2000.

The move is a sharp change of course for Mr Yeltsin, whose government last year extended the term of obligatory military service.

But the draft has become increasingly unpopular in recent months because of voters' fears their sons may be sent to fight in Chechnya.

A month ahead of presidential elections, the abolition decision is potentially a big vote winner for the president.

In an order which could end a Russian practice dating back to Tsarist times, the Kremlin leader signed a decree laying down that from spring 2000, "the armed forces would be made up of voluntary, contracting citizens ... with conscription abandoned".

Mr Yeltsin signed a second decree, effective immediately, according to which only volunteers may be sent to battle zones. Many Russian soldiers now fighting in Chechnya are conscripts.

Although the measures could leave Mr Yeltsin open to attack from hardline nationalists, it is likely to undermine one of his rivals' most effective campaign-trail slogans, the warning that a vote for Yeltsin means the death of more unwilling Russian youth.

The move also follows bitter complaints from the defence ministry about the difficulty of drafting youths to the armed forces, which still number nearly 2m compared with 3.7m two decades ago.

The ministry said last month that only 20 per cent of the age group eligible for call-up was entering the army, with the remainder citing one of the 20 grounds for deferment or simply dodging the draft.

Of those who do come forward, an increasing proportion are medically unfit to serve, or unsuitable because of a criminal background.

Most of Russia's defence chiefs still appear to favour conscription, arguing that there will not be funds available for the foreseeable future to form a first-class professional army.

One apparent exception is General Alexander Lebed, the ex-paratrooper and presidential candidate, who has called recently for a "leaner but meaner" army.

An end to conscription would have to be approved by parliament, which is presently hostile to Mr Yeltsin, but the greatest obstacles are likely to be the vested interests challenged by a radical overhaul.

Some liberal analysts have already dismissed Mr Yeltsin's move as a pre-electoral offer which will be forgotten the day after the polls.

But military experts said the decision could also signal the start of a long-awaited shift to a smaller, better equipped and more mobile defence force which has been widely mooted since the fall of communism.

Moscow to steer currency lower, Page 2

UN moves closer to deal with Iraq over limited sales of oil

By Michael Littlejohns in New York and David Lascelles in London

Iraq and the United Nations appeared close to agreement last night on limited sales of Iraqi oil in the first substantial relaxation of international sanctions since the Gulf war.

The rumours of an impending deal unnerved the oil market, which fears Iraq's re-entry will lead to a long-term increase in supply. Brent crude for July delivery fell 80 cents in London to close at $18.90 a barrel.

Share prices of oil companies were also hit by the expectation of an Iraqi deal, with Shell down 16p at 923p and BP falling 11p to 568p. US oil companies were lower in mid-session trading in New York yesterday. Chevron lost $1⅛ at $57⅞, Exxon slipped $⅞ at $84¼ and Texaco was $1⅛ weaker at $81⅞.

Details of what was described by diplomats as a provisional draft accord were not disclosed pending scrutiny of the tentative document by Mr Saddam Hussein, the Iraqi president.

In the negotiations, which began in February, he has repeatedly emphasised that UN terms for the export of up to $2bn worth of oil over six months must not be so onerous as to offend the country's sovereign rights.

Mr Abdul Amir al-Anbari, the Iraqi negotiator, told reporters after the talks were suspended late on Wednesday that a key issue – which he did not identify – remained unresolved.

Some traders said yesterday that the fall in the oil price was due more to the fragility of a recent rally rather than rumours of Iraq's return to the market, which had been anticipated.

However, there is some concern that a UN deal measured in money terms rather than on oil volumes could depress the price further. This is because Iraq would be drawn into a downward spiral, chasing higher volumes to make up for weakening prices.

Iraq's proposed sales of about 700,000 barrels a day compare to Opec's production total of 24.5m barrels a day.

The return of Iraq will pose a challenge for Opec oil ministers at their next meeting in Vienna early next month because most of them are already producing above quota, and there is no room for extra production.

Two main obstacles, which may have been resolved in the draft proposal, have been how to supply food and humanitarian aid to anti-Saddam Kurds in northern Iraq, and whether the UN or Baghdad should name the bank that would hold in escrow funds raised by oil exports.

The intention of the Security Council in approving the conditional lifting of sanctions was to relieve crippling Iraqi shortages of food and medicine.

Lex, Page 20

Major may face revolt over stance on Ulster arms issue

By John Kampfner in London

Britain's ruling Conservative party faced warnings from its own members of parliament that it could face a revolt following an apparent softening of its approach towards the controversial question of arms decommissioning in Northern Ireland.

In an article in yesterday's Irish Times, Mr John Major, the British prime minister, wrote that agreement had to be reached on how "decommissioning can be taken forward without blocking the negotiations".

And Mr Gerry Adams, president of Sinn Féin, the IRA's political wing, said last night there were "positive elements" in Mr Major's remarks.

But some of Mr Major's cabinet colleagues have warned him not to make further concessions to Sinn Féin ahead of next month's all-party talks on Northern Ireland amid deep unease within the cabinet and threats of revolt among backbenchers.

Lord Cranborne, leader of the House of Lords and the most pro-Unionist minister, has expressed particular alarm over recent developments. He is understood to have told friends: "I consider myself still a member of the government and I hope to remain so." Another cabinet member said: "There is a view at the top of the party that we have gone as far as we can – and no more."

At least six Tory MPs have warned privately they would consider resigning the party whip as a final resort. Since the Tories' have a majority of only one, any threat of rebellion, however couched, will not be taken lightly by ministers.

Such a move would also leave the opposition Labour party in a quandary, as it has made it clear it will not try to bring down the government on the issue. Both main parties have agreed a bipartisan approach to Ulster.

One Tory MP said last night: "Obviously we won't do anything unless the Unionist parties walk out of the talks. We're looking for reassurance but it would be dangerous for the government to take our support on this issue for granted."

In a letter to Mr Major, Mr Andrew Hunter, chairman of the Tory backbench Northern Ireland committee, expressed alarm at the possibility of the UK supporting an Irish proposal to separate arms issues from the heart of the talks.

The reaction of Mr David Trimble, leader of the Ulster Unionists, was more muted. He said Mr Major had been "ambiguous" in references to the arms issue.

Mr John Bruton, the Irish prime minister, welcomed Mr Major's remarks as "conciliatory". He appealed to the Irish Republican Army to restore the ceasefire it ended in February when it set off the first in a series of bombs in London.

THE LEX COLUMN

Beating inflation

For once, the US market is picking up a new trick from the UK: the US Treasury plans to start issuing inflation-indexed bonds. The UK experience has shown these to be a useful tool for long-term investors such as pension funds – and for the government, which has saved around 100 basis points annually on index-linked gilts.

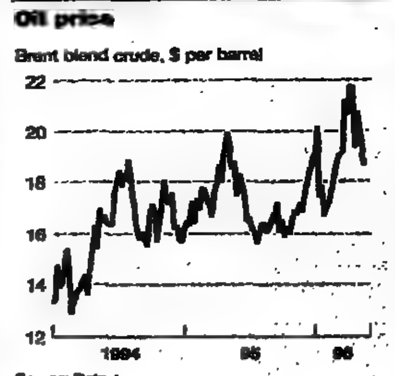
Academic theory holds that, when inflation and currency risks are stripped out, there should be a single global real interest rate. Since inflation and currency depreciation should more or less balance out in the long term, index-linked yields should in theory be the same the world over. Not unusually, academic theory is wholly divorced from reality. The long-term real yield for index-linked gilts is around 3¾ per cent; in Australia it is 5 per cent and in New Zealand 6 per cent. True, the UK's much larger market capitalisation of more than £40bn means it is much more liquid, but these are still big differentials.

The real yield on US index-linked Treasuries is likely to be lower still – probably around 3¼ per cent, given the US government's better record in controlling inflation. Investors would then break even with ordinary Treasuries if inflation averaged around 3½ per cent over the next 30 years. In the UK, investors in index-linked bonds are at break-even if inflation averages around 4½ per cent. In both cases, that may make them look expensive – though given the UK's poorer record, the premium is arguably better value. And both, in 30 years' time, could look cheap.

FT-SE Eurotrack 200: 1725.9 (-4.1)

Oil price

Brent blend crude, $ per barrel



Source: Datastream

Oil

There are plenty of reasons why Iraq and the United Nations may yet fail to agree on limited releases of Iraqi oil, but the odds are shifting in favour of a deal. Even if they were not, however, oil prices look set to fall; an Iraqi deal would merely accelerate what is likely to happen anyway. Cold weather, combined with low stocks, has driven prices to remarkable highs over the winter.

But low stocks will mean higher volatility in both directions; as the market moves out of shortage, prices are bound to fall. As demand has boomed, production from Opec has surged ahead of quotas. And it is far from clear that many Opec members will be keen to agree to cut output as demand falls – especially since Opec's ability to prop up prices has been sharply reduced as a result of strong growth in output from non-Opec countries. Next month's Opec meeting could well be a messy affair. The question, in short, is not whether prices are likely to fall, but how far. Either there will be an Iraqi deal, in which case prices would be hit quite severely – especially futures prices, because it would be some time before Iraqi oil started to flow.

Alternatively, negotiations will drag on, implying yet more speculation hanging over the market on top of gloomier supply-demand fundamentals. Either would probably be bad news for investors in oil shares, which have been buoyed by the strong performance of the spot oil price over the winter. Futures prices – December contracts are well below the spot price – already tell a less rosy story.

Hanson

Hanson is making the most of its impending four-way split by clearing out awkward baggage from a more acquisitive era. The insupportable weight of the conglomerate's dividend pay-out will be almost halved, while profits will more closely resemble the performance of the business. This is all excellent news for the future. The trouble is that it underlines the sins of Hanson's past.

One such problem is the legacy of the unfortunate acquisitions of Peabody and Beazer, which saddled the group with £4.9bn of provisions. Hanson is belatedly recognising that some of Peabody's provisions represent an ongoing cash cost, and this will probably be taken off profits. But while that would improve the quality of stated earnings, Peabody's contribution would drop by around a third to about £130m this year – a poor return from a business which cost £2bn.

The interim profit figures further supported Hanson's arguments for break-up. It suffered a free cash outflow of £450m, putting more pressure on the balance sheet. And the group is pursuing what for Hanson are novel concepts, such as global expansion and expansionary capital expenditure, which will gain greater emphasis within the refocused group. US Industries, the ragbag of US businesses demerged last year, demonstrates the potential for investors; its shares have risen 65 per cent since flotation. Nonetheless, the sum of Hanson's parts seems to exceed the current price only when bid premiums are attached. Since the group has argued against pre-demerger sales, investors should probably wait.

BTR

Old habits die hard at BTR. Even after the changing of the senior management guard at the UK conglomerate, yesterday's disappointing trading statement – loosely translated as a profits warning – remains a core part of the group's corporate weaponry. The complexity of BTR, with a myriad of operating subsidiaries, lends itself to surprises. But unlike the similarly byzantine General Electric of the US, BTR's shocks have all been bad – hence its 35 per cent underperformance of the UK market in the last two years.

Admittedly, there is nothing particularly shocking in the lastest trading update. Polymer Taiwan is a cyclical business going through a downturn, while the sealing systems business has been held back by start-up costs for a new plant. Nonetheless, BTR has made clear it will produce another set of flat earnings this year, despite the positive impact of a stronger US and Australian dollar. And investors will become even more reluctant to take anything on trust.

This is unfortunate, since the new man at the tiller, Mr Ian Strachan, the chief executive, is pointing the group on the right tack. Quality engineering companies trade at a substantial premium to the market, while BTR is trading at a 10 per cent price-earnings discount, based on 1996 forecasts. And BTR is well-managed, with numerous fast-growing engineering businesses. Mr Strachan is sensibly looking to build up global businesses while shuffling out the numerous subsidiaries that don't fit. This will clearly take time, but given BTR's lowly rating it should be worth the wait. And in the meantime, it offers a dividend yield 50 per cent higher than the market average.

Additional Lex comment on British Gas, Page 27

Bundesbank warns of threat from deficit

Continued from Page 1

cent of households' total financial assets of DM4,646bn in this form of investment.

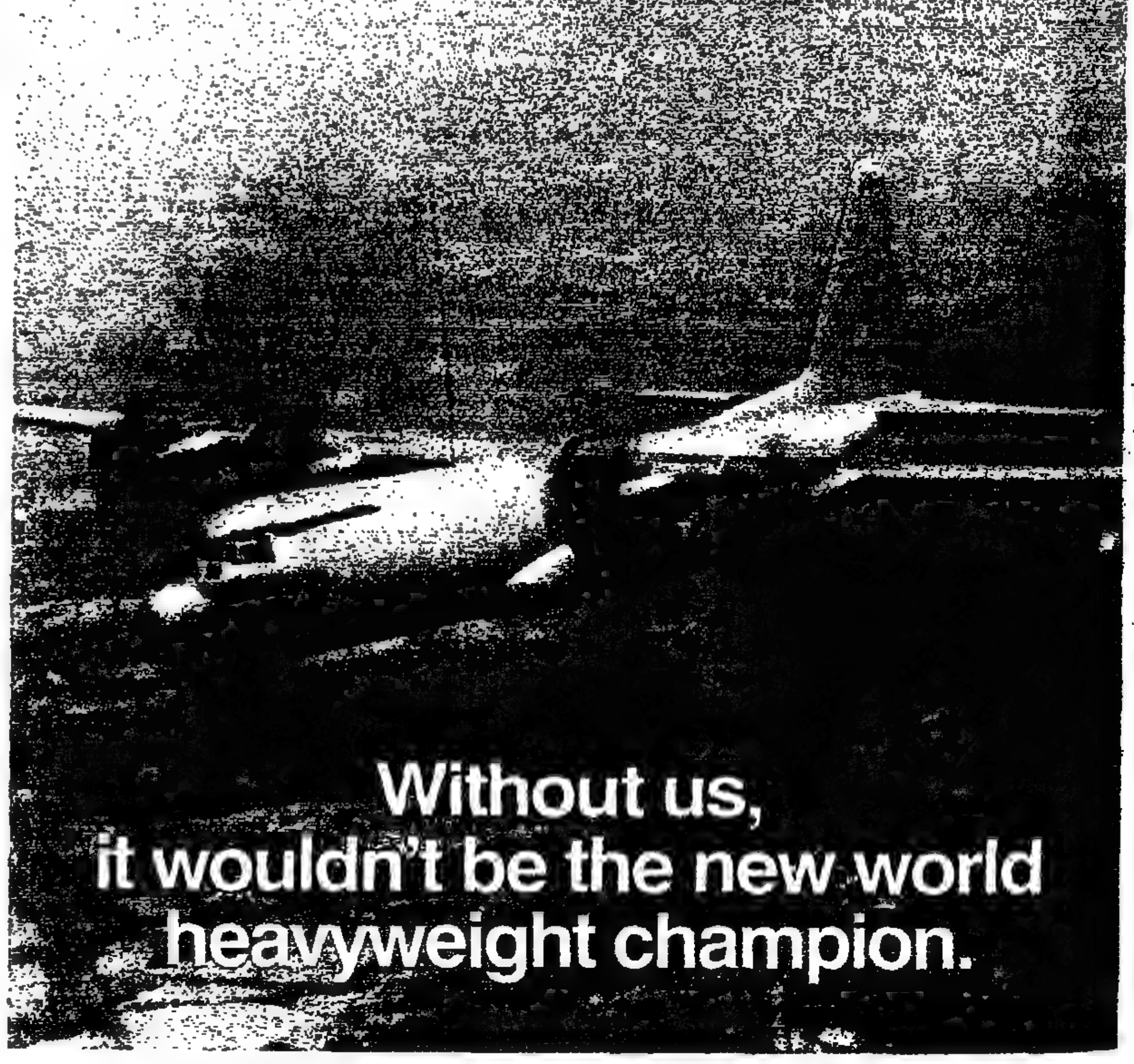
They continued to prefer bonds (accounting for 16 per cent of their total assets) and savings and other interest-bearing deposits with banks (40 per cent).

Unit trusts made up a further 8 per cent. The Ifo's survey of 334 mainly large companies found that 78 per cent expected sales abroad to grow more quickly than at home.

Sixty per cent intended to increase the share of foreign investment in total investment spending, against only 15 per cent planning less.

The survey contained some bleak news for Germany itself. Companies expected to cut employment by 3 per cent this year and nearly 1.5 per cent in 1997, and to continue shedding staff, although at a slower rate, until 2000.

Investment, which is expected to jump 7 per cent this year, will probably stagnate for the next four years.



The C-130J, the new generation of the legendary Hercules, will soon start powering 21 ton loads skywards following its successful maiden flight. Commenting on Dowty's all-composite swept-blade propeller system and the Rolls-Royce Allison AE 2100D3 engines, Lockheed Martin's test pilot reported: "This new integrated system is a dream come true. The amazing thing is that the blade angles on all the engines all respond to the four power levers as if they were tied together. Even more impressive is that the propellers provide approximately 10% more thrust at the same horsepower." This knock-out performance should ensure orders worth $500 million to Dowty.

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FT WEATHER GUIDE

British Isles

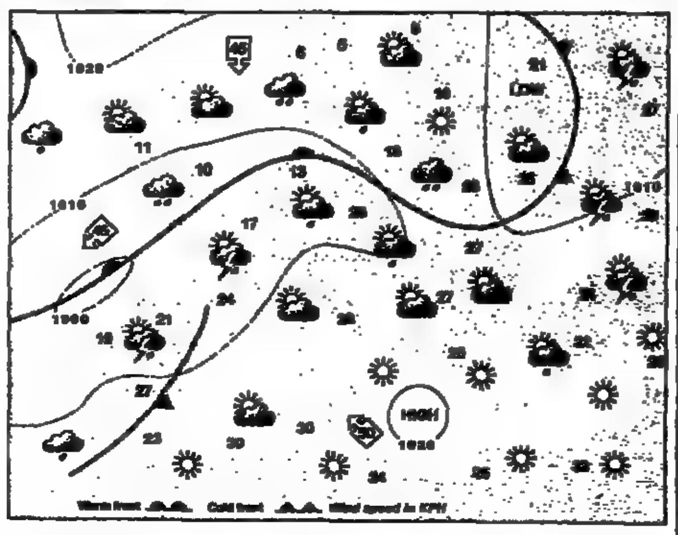
A cool north-easterly air flow will keep temperatures unseasonably low. Afternoon readings will only be 9C to 12C. There will be a lot of cloud but Scotland and Ireland will have sunny spells and a few showers. A much warmer air mass over France will spread north preceded by overcast skies and showers. Southern England and Wales will have rain and the Midlands and Northern England will be cloudy with patchy rain.

Continent

A wavering frontal zone will stretch from western France across Germany towards Russia. Areas north of the front will be unseasonably cool while to the south, temperatures will remain high, especially in eastern Europe. The Iberian peninsula and France will have thunder showers, while high pressure will promote sunny conditions over Italy, Greece and the Balkans. The very cool air that arrived in southern Scandinavia will persist, with afternoon temperatures between 5C and 9C.

Five-day forecast

South-west Europe will be rather unsettled with frequent rain or thunder showers. Calm conditions and abundant sun will prevail over Greece, Turkey and the Balkans with temperatures around 25C. The Benelux, Germany and the UK will remain cool and unsettled.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

		Maximum C	F
Abu Dhabi	sun	40	104
Accra	shower	30	86
Algiers	sun	24	75
Amsterdam	rain	13	56
Athens	sun	26	79
Atlanta	fair	33	92
B. Aires	shower	20	68
B.ham	rain	8	47
Bangkok	shower	37	99
Barcelona	cloudy	21	70
Beijing	sun	27	81
Belfast	shower	11	52
Belgrade	fair	23	74
Berlin	rain	15	59
Bermuda	shower	22	72
Bogota	fair	18	65
Bombay	fair	33	92
Brussels	shower	17	63
Budapest	fair	26	79
C.hagen	rain	11	52
Cairo	sun	33	92
Cape Town	fair	23	74
Caracas	fair	30	86
Cardiff	rain	9	48
Casablanca	fair	22	72
Chicago	rain	29	84
Cologne	rain	18	65
Dakar	fair	27	81
Dallas	sun	34	93
Delhi	fair	36	97
Dubai	sun	37	99
Dublin	shower	10	50
Dubrovnik	sun	25	77
Edinburgh	cloudy	10	50
Faro	shower	20	68
Frankfurt	cloudy	20	68
Geneva	shower	20	68
Gibraltar	shower	21	70
Glasgow	cloudy	12	54
Hamburg	rain	10	50
Helsinki	rain	5	41
Hong Kong	fair	26	79
Honolulu	fair	32	90
Istanbul	fair	24	75
Jakarta	sun	32	90
Jersey	rain	10	50
Karachi	fair	35	95
Kuwait	sun	41	106
L. Angeles	cloudy	21	70
Las Palmas	fair	23	74
Lima	cloudy	19	66
Lisbon	rain	19	66
London	rain	11	52
Lux.bourg	shower	18	65
Lyon	shower	20	68
Madeira	fair	20	68
Madrid	thund	21	70
Majorca	fair	24	75
Malta	sun	24	75
Manchester	rain	9	48
Manila	fair	32	90
Melbourne	cloudy	15	59
Mexico City	fair	23	74
Miami	shower	31	88
Milan	fair	22	72
Montreal	fair	19	66
Moscow	thund	23	74
Munich	thund	24	75
Nairobi	fair	27	81
Naples	fair	23	74
Nassau	sun	29	84
New York	shower	19	66
Nice	fair	23	74
Nicosia	sun	26	79
Oslo	rain	5	41
Paris	shower	17	63
Perth	fair	18	65
Prague	cloudy	22	72
Rangoon	fair	35	95
Reykjavik	rain	8	47
Rio	fair	26	79
Rome	sun	22	72
S. Frsco	cloudy	20	68
Seoul	sun	27	81
Singapore	fair	33	92
Stockholm	cloudy	5	41
Strasbourg	shower	19	66
Sydney	cloudy	18	65
Tangier	fair	22	72
Tel Aviv	sun	29	84
Tokyo	fair	24	75
Toronto	cloudy	23	74
Vancouver	rain	16	61
Venice	fair	25	77
Vienna	cloudy	23	74
Warsaw	cloudy	19	66
Washington	shower	21	70
Wellington	fair	13	56
Winnipeg	rain	16	61
Zurich	thund	20	68

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PRIVATE EQUITY INVESTMENT

MANAGEMENT BUY-OUTS

Healthy supply of deals for investors

Although many good businesses have become available for purchase as a result of corporate restructuring, too much money in pursuit could lead to over-heating. Richard Gourlay reports

On the face of it, there is a familiar appearance to the management buy-out business. More money has been raised in the past few years than ever before. And more is being put into companies – the £8bn invested in the last four quarters is a record, and higher than in 1989 when the market last hit a peak.

On the supply side, the fashion for corporations to slim down to their core businesses shows no sign of abating. This, taken together with a high level of corporate mergers and acquisitions – which tend to lead to the sale of businesses that do not fit in with the new organisations – means the supply of deals for investors to pick over remains healthy.

There is no flaw in the logic that drives the business. Few people would now argue that the purchase of businesses by existing and new management is not potentially a powerful rejuvenating force. What is more, there are clear signs that the businesses continue to flourish once floated.

According to a newly-created index set up by the Centre for Management Buy-out Research at Nottingham University, buy-out companies floated since the end of 1994 have recorded an increase of 28 per cent, compared with an 18 per cent increase by the Hoare Govett Smaller Companies Index over the same period.

It could be argued, therefore, that a large, slowly maturing business sector is continuing to do what it has done to great effect for much of the 1990s. First of all, it continues to revitalise parts of the British economy that the nations's big corporations have failed to reach. Secondly, particularly in smaller transactions where the country's largest private equity investor, 3i, dominates, MBOs provide other parts of British industry with development capital at a time when they lack access to public markets.

But there are some problems with this Elysian vision.

For a start, the weight of available money has risen at a faster rate than the number of potential transactions. While considerably less capital was raised in 1995 than in the record fund-raising year of 1994, there is no shortage of funds. Inevitably, this has nudged up the prices at which deals are being completed.

The consensus among the most experienced denizens of the industry is that the market is in danger of over-heating – as it did in 1989, with disastrous consequences – but that it has not reached that stage yet.

Mr Robin Hall, managing director of Cinven, the venture capital company and the most active investor after 3i in 1995, describes the market as "buoyant"; Mr Stephen Curran, managing director at Candover, a leading buy-out specialist, says that "activity levels are high, as are some prices".

Mr Mike Stevens, corporate finance partner at accountants KPMG, is less circumspect. Whereas in 1994 few vendors of companies would have received a multiple of 12 times earnings for their businesses, purchasers are now paying up to 14 times. There is therefore much less scope for floating these companies at higher prices. Financiers have to be much clearer about the business's ability to increase its earnings.

Then there are American leveraged buy-out funds, some of which are taking an interest in large deals at high prices. "KKR [the US leveraged buy-out specialist] did the buy-out of Reed regional newspapers (from Reed Elsevier, the Anglo-Dutch group, for £205m) and knocked the socks off local investors, not to mention trade buyers," says Mr Stevens.

Another growing risk is that large investors are syndicating fewer of the transactions they lead, and less often. This follows 3i's decision to manage funds it has raised from institutional investors alongside which it coinvests. So far, it has raised £175m of capital in this way for investment in MBOs and MBIs with a value of more than £10m.

The move into fund management not only demonstrates an increasing focus on activities that have a direct benefit on earnings. It also means that 3i is no longer such a large net supplier of transactions to the syndications market – an act of largesse forced on it by its policy of not taking majority stakes in companies it backs, and one that was rarely fully reciprocated by competitors.

Mr David Shaw, managing director of NatWest Ventures, says there is therefore a tendency for investors who find deals they like to hang on to them. The best example of this was one of the year's largest transactions, the Charterhouse financed buy-out of Porterbrook Leasing, the railstock company.

Charterhouse provided £75m of equity for the transaction which had a total value of £527m, but kept the entire transaction on its books. A few years ago it would have syndicated the transaction, says Mr Gordon Bonnyman, Charterhouse director.

Of course, from a portfolio risk point of view, retention of more of the larger deals is another reason for concern because portfolio risk will slowly be spread across fewer larger transactions.

Another new trend that highlights increased competition is the growth of a secondary market in MBO investments. These involve one MBO financier buying out another because the second has had to return funds it has raised before it could find a way of realising its investment. Often the acquirers of these assets are longer-term investors, such as NatWest Ventures, which last month bought Causeway Capital's stake in Sheffield Forgemasters.

While competition among equity investors has been hotting up in the UK, it was always thought that continental Europe would provide a new market. It may still one day become significant, but the pace of development has disappointed some UK-based investors. "European companies are overweight and massively in need of a re-do," says Mr Bonnyman. "They are exactly where Britain was a dozen years ago."

But according to Initiative Europe, which monitors European buy-out activity, and the Centre for Management Buy-Out Research, continental European buy-outs reached only £3.6bn in 312 deals in 1995, compared with £4.5bn from 413 deals in 1994. In the UK, the 1995 figure was £5.5bn.

Continental European mid-sized transactions present a less gloomy picture. In the German and Dutch markets, the numbers of transactions rose. But in none of the large continental markets did value increase.

There is, however, a glimmer of the potential in Germany. Initiative Europe says many more transactions are derived from large corporations selling subsidiary or non-core businesses whereas in the past most investment was in the buy-out of family-controlled companies.

If this indicates that Germany is embarking on a spate of corporate restructuring, MBO funds could be about to

Continued on Page 2

IN THIS SURVEY

Production Editor: Philip Sanders

£184,500,000
BUY-IN AND RECAPITALISATION OF
QUEXCO LIMITED
Apax Partners
HSBC Private Equity
Prudential Venture Managers
Transaction led and arranged by Apax Partners & Co
HSBC Private Equity

£82,000,000
RECAPITALISATION OF
INNOSTA
Structured, Led and Equity Underwritten by HSBC Private Equity
Equity provided by HSBC Private Equity Lloyds Development Capital
Lloyds Bank Acquisition Finance
Advisers KPMG Corporate Finance Clifford Chance
HSBC Private Equity

£11,400,000
MANAGEMENT BUY-OUT OF
Structured, Led and Underwritten by HSBC Private Equity
Bank of Scotland
Advisers Coopers & Lybrand Corporate Finance
HSBC Private Equity

TOTAL FINANCING OF
£140,000,000
MANAGEMENT BUY-OUT OF
BRYAN CONTRACT HIRE
Structured, Led and Equity Underwritten by HSBC Private Equity
Midland Bank plc
HSBC Private Equity

TOTAL FINANCING OF
£10,100,000
JOINT VENTURE WITH
Rodoviária de Lisboa
HSBC Private Equity
Stagecoach Holdings Plc
HSBC Private Equity

TOTAL FINANCING OF
£12,092,000
ACQUISITION OF
FROM
THE DEPARTMENT OF TRANSPORT
BY THE TRANSPORT RESEARCH FOUNDATION
Structured, Led, Arranged and Underwritten by HSBC Private Equity
Ernst & Young Corporate Finance
NatWest Markets
HSBC Private Equity

£25,000,000
EMPLOYEE BUY-OUT OF
Led and Arranged by NatWest Ventures
HSBC Private Equity

$146,900,000
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PROFILE 3i

Benchmark for competitors

There are few industries in the UK more influenced by one company than the private equity market is by 3i. It is not merely a matter of market size, although nearly half of all management buy-out and buy-in transactions involve 3i. It is the company's reach – both within the industry and within the market it serves – that makes 3i a leader.

The 50-year-old institution has been the training ground for countless hundreds of executives who have left 3i to populate the British venture capital industry. With 18 offices in the UK, it has until recently been a net supplier of syndication opportunities to the industry which sometimes resembles an alumnus association. And now, as a quoted investment trust, 3i is publicly presenting a measure of performance against which its competitors can compare themselves.

On its 50th anniversary, 3i added one more feather to its cap. It has for a long time been the largest investor in management buy-outs and buy-ins by number of transactions but last year 3i also pipped CINVen as the biggest investor by value.

In a record year, 3i almost doubled its total equity investment from £174m to £326m in larger buy-outs, despite being absent from the largest deals valued at more than £100m. 3i reached this target through 46 investments, according to Acquisitions Monthly, compared with CINVen, holder of the number two slot by value, which invested £301m in only 11 deals.

This expansion has been greeted by some competitors as a sign that 3i is overpaying. Certainly, the valuation of equity in private companies has risen in the past year. Fund managers have raised large amounts of money which are chasing relatively fewer deals. But it is difficult to test claims of overpaying.

It is not surprising that 3i attracts its share of brickbats in an industry where there are only two kinds of deals – the ones the competition loses and then calls "overpriced" and the ones the competition wins and then calls "fairly priced". The proof of this pudding will only be had in a few years when the companies concerned either succeed or fail to live up to expectations.

The competition will also be feeling the impact of 3i's decision two years ago to enter the fund management business. Then it set up a £150m fund, half of which it committed itself and half of which it raised from institutions for co-investment in larger management buy-out transactions.

Earlier this year, 3i raised a second fund worth £200m, including 3i's half contribution. The move has meant 3i is handing fewer deal opportunities on a plate to syndication partners who in turn are keeping more of the deals they are winning on their own books.

So what of the future? The UK is becoming an increasingly competitive market not only because there is more money driving up the price of good deals. Even in relatively small deals, corporate vendors of businesses are playing off one venture capital supplier against another in auctions that tend to lead to higher valuations. 3i says it is well equipped to avoid having to get into auctions. It says its 112 investment executives are able to stay close to vendors and that by running a shadow portfolio of up to 200 companies it can stay close to its potential customer base.

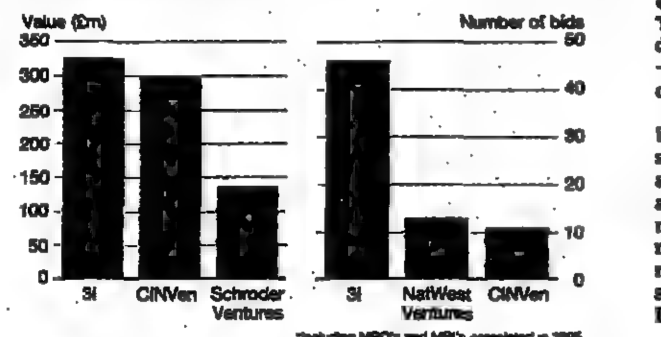
In continental Europe, 3i has made modest advances. The market as a whole fell significantly, according to Initiative Europe and the Centre for Management Buy-Out research in Nottingham. But during 1995, 3i's investment rose to £45m from £37m although the average size of investment slipped slightly. Although continental European expansion may be disappointingly slow, the UK will always remain 3i's core business. And this is still very stable, according to Mr Hamish Buchan, Investment Trust analyst at NatWest Markets. The company has such a wide variety of investments across the whole range of British industry that the business is low risk as a whole, in spite of the relatively high risk inherent in the individual investments.

What is more, observers say that the 3i strategy is unlikely to change from being market-driven and within its current well-defined markets. The memory of poor diversifications in the 1980s – into the US and into consultancy – has not faded.

The stability of the business is reflected in the current share price which is trading at a small premium to net asset value. Results next month are expected to show net asset value of about 420p, reflecting the continuing strong performance of the British industrial heartland.

Richard Gourlay

Top three equity arrangers in leading UK buyouts*



Source: Acquisitions Monthly/Vendata

*Including MBO's and MBI's completed in 1995 with a total funding value over £5million

■ **Management Buy-Ins:** by Christine Moir

Significant growth area

From the financier's point of view, a Bimbo provides the maximum flexibility

According to most funding institutions, Management Buy-ins are the growth area of private equity finance today.

Mr Chris Berisford, who tracks larger financing deals for KPMG's *MBO Quarterly*, confirms that 31 of the total 111 deals he followed last year were MBIs. The year before, they accounted for 12 out of 51.

3i, the grandfather of venture capital houses, says that MBIs now account for about one third of all their deals.

Curiously, this growth is not apparent in the standard statistics for the sector, which are provided by the Centre for Management Buy-out Research at the School for Management and Finance, University of Nottingham. The centre's figures for 1995, published last month, actually show a drop in the numbers of pure MBIs last year, from 140 to 130.

Dr Ken Robbie, the centre's research fellow, cautions against taking the figures wholly on face value. As the sector matures it also grows in complexity. For example, the centre has identified a new category of deals – Investor Buy-outs – which are separately classified for the first time in these figures.

IBOs, which would previously have been more likely to be listed as MBOs unless specifically differentiated, number 16. In addition, there are 55 Bimbos – the increasingly common hybrid deal which uses *both imported management* (MBIs) and existing management (MBOs).

Added together, the three categories account for £2.6bn of the £5.55bn total for all buy-outs and buy-ins in the figures produced by Professor Mike Wright and Dr Robbie.

Once analysed in this way, the centre's figures provide ample confirmation of industry's experience of significant growth in externally-generated deals at the expense of the traditional lead by management in true MBOs.

Mr Patrick Dunne, director of MBI resources at 3i, believes vendor companies are psychologically drawn to the hybrid. They like selling to a named individual (the buyer-in) because they can see that their former business will be in the right hands. At the same time they can also show concern for the existing management.

From the financier's point of view, a Bimbo provides the maximum flexibility to choose the right individuals for senior posts while not losing the continuity and inside knowledge which rests with the incumbent management. Typically, the financier will bring in an investing chairman and finance director (neither of whom would have been part of the structure of a subsidiary). Existing management would be retained for operational functions.

Mr Dunne foresees a further boost to buy-ins from what he tentatively calls the "boss chop factor." In large corporations, members of the top management echelons used to be in their late 50s or even early 60s. Now they are being wound down in their early 50s. Their successors, probably in their early to mid-40s, have to face the fact that they too will be "given the chop" at about the same age. The more ambitious, with 20 active years ahead of them, prefer the challenge of something new of their own to the predictability of having to make way for even younger successors when they are still at their executive peak.

For an individual with such plans, the key issue is how to identify a suitable company to buy into and how to persuade a venture capital business to come up with the necessary backing. There are two things the would-be entrepreneur should develop – simultaneously and well ahead of the desired date for the big move:

- Get to know key individuals at one or two venture capital operations. Nothing is so powerful as a personal recommendation; and
- Manage your current career path to provide experience of the key characteristics which the financiers believe successful entrepreneurs must show:

Win budgetary control for a truly autonomous profit centre. Do deals which show you have staying power. Master your territory and do not move far outside it. Grow the business unit you are responsible for and target something of comparable size. If possible, arrange your own MBO to establish a track record.

Financiers are these days establishing relationships with corporations on a long-term basis rather than waiting to be called in when a deal is under way. They seek similar build-ups with those they are likely to promote to front MBIs.

The more established the trust between financier and would-be entrepreneur, the more likely the development of another financing trend. Mr Dunne calls this "Bingo".

Many of the high profile MBOs which ran onto the rocks in 1990 as recession struck were over-burdened with debt but under-capitalised. Mr Dunne believes today's capital providers are much more ready to supply the growth capital which the new companies need. Entrepreneurs who win such backing can say "Bingo": Buy in, now go!

CASE STUDY **Leon Allen and Lyons-Tetley**

New professionals

A new breed of professional is abroad in the mid-1990s: *the serial manager*. Serial managers are the handful of individuals whom the financing institutions feel comfortable to see fronting management buy-ins – the increasingly popular alternatives to management buy-outs. Mr Leon Allen is one of that handful.

Leon Allen: serial manager

Mr Allen, American born and educated, has followed a career entirely in the consumer goods field, much of it in Europe. After 16 years with Proctor & Gamble, where he rose to be head of European operations, he moved to RJR Nabisco as chairman of Del Monte Foods Europe.

It was there he came to the attention of financing institutions. Early in 1990, some months after Nabisco was acquired in a leveraged buy-out by KKR, Mr Allen led a £229m buy-out of Del Monte. That buy-out was intended to exit in a flotation. Instead it was sold on, but the price of £368m confirmed the institutions' belief that here was a safe pair of hands.

Less than two years later, he was invited to become chairman of Devro International, the sausage skin maker whose management bought themselves out of Johnson & Johnson in 1991. And last summer he received the final institutional seal of approval when Prudential Ventures and Schroder Ventures used him to front a £190M management buy-in of Lyons-Tetley, the tea and coffee arm of Allied Domecq.

The Pru and Schroders were placing a great deal of trust in Mr Allen, now aged 56 and already personally wealthy as a result of the earlier deals.

Prudential put up £62m of equity for the Tetley deal (although it later reduced its exposure by syndicating some), and Schroder put up £38m, all of which it still retains.

It was a calculated risk.

When MBIs developed in the late 1980s, as alternatives to MBOs, they were soon shown to carry greater risk of failure. Some institutions would not finance MBIs for that reason.

But now, according to Mr Chris Berisford of KPMG who makes a special study of MBOs and related structures, the institutions are more comfortable because they have evolved a check-list of characteristics which a successful buyer-in will show.

Mr Allen displays all four attributes on the list. At both Proctor & Gamble and Del Monte he was in charge of autonomous profit centres and made them perform. He had done deals of a comparable size before. Tetley, a mainstream consumer group, is part of the industry in which he has specialised. Finally, he remains a driven man, with enthusiastic plans for Tetley's expansion, and his track record suggests he will not be easily diverted.

It is a mark of the maturity of the buy-out/buy-in market – as well as institutions' pre-occupation with risk management, that the Tetley buy-in is actually a hybrid involving both buyers-in and *existing Tetley management*.

Christine Moir

Healthy supply of deals

Continued from Page 1

see a substantial reward for their patience.

It might seem logical that if there is an abundance of capital for MBOs then the leaders of the management teams must be in clover. But the vendors of businesses are getting smarter, and have learned that they do not necessarily get the best advice when they give a management team a mandate to sell the company they manage.

Furthermore, financiers are increasingly leaving the management of the target company on the sidelines as they bid to buy companies directly from the vendors. These so-called financial or bought deals are bad news for the incumbent managements who generally end up with less favourable terms and less of the equity of the company they are managing. But there is no evidence that the bought deals are systematically leading to prices that are too high for the future earnings potential, in spite of some worrying anecdotes about financial buyers who are prepared to pay more than trade buyers.

One mitigating feature may be the rise of the management buy-in and the hybrid buy-in management buy-out, or "Bimbo" which allows the financier to appoint a trusted industry expert to the board.

Many of these trends play into the hands of 3i, the largest private equity investor. Through its branch network it is able to market more consistently to corporate sellers of businesses. And with its pool of non-executive directors, it is able to appoint trusted advisers who can add value to companies. "At 3i we have enough scale and resources to look for ways to do creative deals," says Mr Martin Gagan, 3i director.

If other private equity investors are to compete in a maturing market that is becoming more competitive, they will have to continue finding new ways to add value, both to the structure of transactions and to the companies they back.

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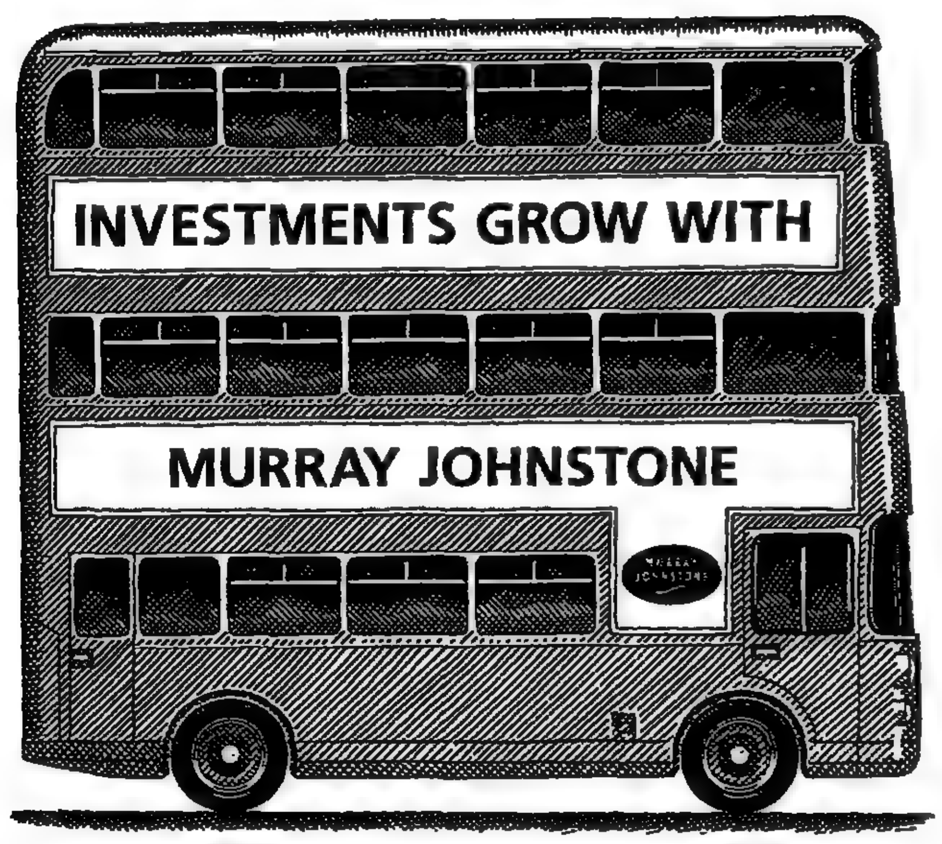

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■ **Growth of the Bought Deal:** by Christine Moir

Shift from tradition

Industry sources claim that the IBO has significant advantages for vendor companies

The Centre for Management Buy-out Research at the University of Nottingham's School of Management and Finance has a new column in its annual survey of activity in private equity finance. For the first time the figures for 1995 (published in the third week of April) include 16 buy-outs, costing a total of £1.05bn, identified as Investor Buy-outs (IBOs).

Dr Ken Robbie, research fellow, confirms that the centre, which this year celebrates its 10th anniversary as the leading academic focus on private equity finance, has observed a shift away from the traditional pattern of buy-outs initiated by management.

Today, companies wanting to divest themselves of a division are increasingly likely to sell it directly to a funding institution, usually by way of auction.

The institution is then free to back the incumbent management to run the newly-independent business, to bring in outside management or to use a mixture of both. It can also choose whether to give management a piece of the action, by way of an equity stake.

Dr Robbie observes that this structure, also known as the Bought Deal or Finance Purchase, marginalises the management. So far, the number of recorded IBOs is relatively few compared with a total number of MBOs and MBIs for 1995 of 577 with a total price of £5.35bn. But the numbers are multiplying.

In any case the recorded numbers are likely to significantly under-estimate the true level of IBOs completed. Industry sources claim they are notoriously difficult to define; a more realistic appraisal is that they are difficult to identify from outside unless vendor and funding institution volunteer details of the structure of the deal.

Funding institutions are reluctant to reveal themselves as the principals in Bought Deals for fear of being thought to have over-ridden the management which they in fact support, or because they may be accused of impersonal financial engineering with a short-term horizon.

In fact, they are mostly responding to changes in the requirements of divesting companies. In the mid-1980s, MBOs were mostly driven by managements' urge for independence. But, as Dr Robbie has noted, parent companies sooner or later began to chafe against what they saw as the drawbacks of a closed shop. Once convinced that management would not give them "top dollar" without competition, they looked for alternatives. An auction system was an obvious choice, not with management pitted against all-comers, but with City of London institutions competing against each other to provide finance up front.

Industry sources claim that the IBO has other significant advantages for vendor companies. It eliminates the need to negotiate directly with management which the parent board often feels could have a conflict of interest. Indeed, it avoids having to take a decision on whether the management is fit to run the business independently.

Mr Martin Gagen, 3i's director of UK investment operations, says parent companies find that judgment difficult, some routinely under-estimating, others over-estimating management's experience and capabilities.

Above all, the Bought Deal provides certainty. Traditional MBOs are nail-biting events with the parent company left wondering until late in the day who will back the management and at what price. Mr Gagen says: "In an IBO, the vendor knows the price is a good one. He also knows the identity of the buyer and therefore that the business is going to a good home not a break-up merchant."

It is also claimed that the clean up-front purchase by an institution provides continuity throughout what can be a protracted process. In traditional MBOs, managers frequently find the process of becoming independent distracts them from managing the business, which suffers as a result.

Dr Robbie identifies another driving force behind the growth of IBOs: a more pro-active approach by venture capitalists towards getting business. "They no longer rely on people knocking on their doors. They now go out of their way to establish links with major PLCs so that, as and when divestment becomes an issue, they are involved at an early stage."

3i confirms that while it still carries out many traditional MBOs (especially those below £10m conducted through its 18 regional offices) the increasing competition among funders to provide finance for buy-outs is intensifying the pressure for Bought Deals and other externally structured arrangements.

City of London institutions compete to provide finance up front

CASE STUDY **Lloyd's of London Press**

Deal was half MBO and half IBO

Venture capital financiers are sensitive about having their deals described as Investor Buy-outs, Finance Purchases or Bought Deals. This makes their intervention look, they argue, like short-term financial engineering, aimed at an early exit after asset-stripping or break-up.

Their protestations have some force. Most first-generation, pure MBOs also sought a natural medium-term exit over three to five years by way of trade sale or flotation. But the terms IBO or Bought Deal are useful to describe a development from management-initiated deals to ones effectively negotiated between vendor (divestor) and a financial institution with management much less central if not marginalised.

One recent example, half way between a traditional MBO and a full-scale IBO (with elements of an MBI at a second phase) was the buy-out of Lloyd's of London Press from the troubled insurance market in December last year.

The key to the deal was 3i, the UK's first purpose-built venture capital financier, set up by a consortium of clearing banks in the 1960s but floated on the market in recent years.

In the late 1980s, the management of Lloyd's of London Press – whose premier publication is Lloyd's List, the daily newspaper of the shipping and insurance industries – was strengthened under Mr Iain Lindsay-Smith, imported from the Observer where he had been managing editor. As the team turned LLP round from losses to a solid profit of £8m by 1995, it wanted to distance itself from the problems, scandals and rows in which the Lloyd's market was entangled. However, it saw that its business was intimately connected with the market where, it believed, the establishment had put a possible sale on the back burner.

Enter 3i. During 1995, when Lloyd's was becoming desperate to raise money from any source to help fill the abyss of losses, Mr Nick Martin of 3i checked with an insurance market acquaintance the accuracy of newspaper speculation that LLP was being sized up for sale. It was. He first met the Lloyd's board, then the LLP management who appointed Coopers & Lybrand to advise them on where to look for funding for a buy-out.

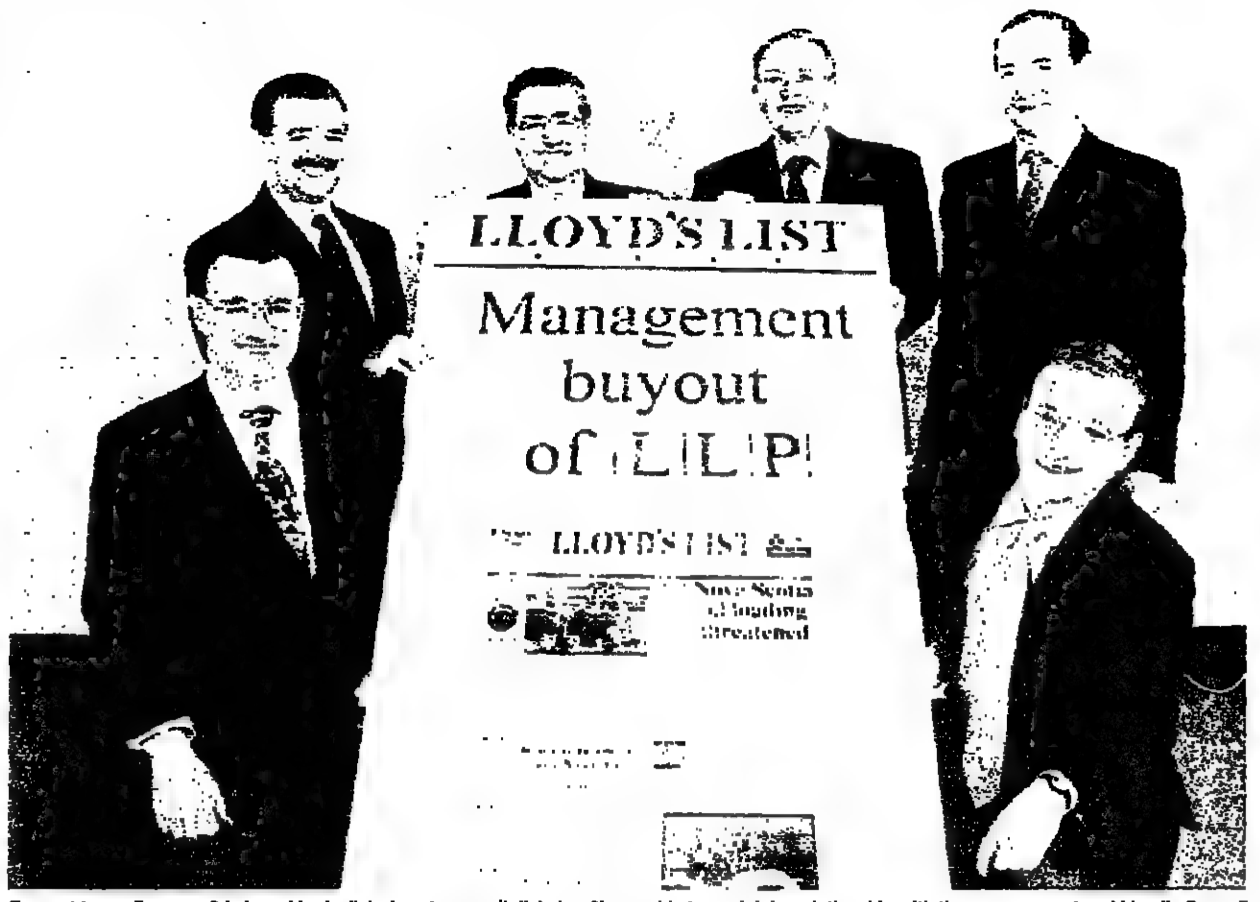
With less than a week's warning, the deal went to auction in early winter. Lloyd's needed the best price it could achieve. Trade buyers were falling over themselves to pick up the prestigious Lloyd's List title. Coopers had a short list of venture capitalists to lay before the management.

In the event, 3i was able to exploit its advance relationship with both management and the Lloyd's Council to win the day. For the management it offered rock solid equity financing (£75m of the total price of £82.5m was to be in shares, freeing LLP from an unsupportable debt-servicing burden). To Lloyd's it offered certainty. 3i structured the buy-out so that it negotiated with Lloyd's as principal. In other words, it offered a Bought Deal, bypassing the uncertainty of a traditional MBO where no one can be sure until the last mommment whether the management is in a position to close the sale.

The buy-out was completed two days before Christmas. Management was cut in on generous terms for 25 per cent. 3i took 70 per cent for providing the equity (although it later syndicated all but £15m of that to prominent venture capital operations such as NatWest Ventures, Mercury Asset Management and CVC – itself an MBO from Citicorp). Intermediate Capital Group which underwrote all the mezzanine finance received a 5 per cent equity kicker. Senior debt was supplied by Samuel Montagu which also later syndicated much of it to Banque Paribas, Bank of Scotland, National Westminster and the German banks Dresdner and BHF.

Last month, there was a codicil to the deal, underlining just how far it was from a basic MBO. 3i arranged for Mr Stuart Wallis to take over as non-executive chairman. Mr Wallis was not part of the LLP management team. He had stepped down in March after 16 months as chief executive of Fisons where he had doubled the share price before selling it on to Rhône Poulenc. Prior to that he had worked at Hestair, Octopus Publishing and Bowater (now called Rexam). Mr Wallis was known to LLP's management from his Bowater days and Mr Lindsay-Smith enthusiastically supported him for the chairmanship. Nevertheless, the circumstances of his appointment reinforce the impression that the LLP buy-out was an IBO by 3i.

Christine Moir



Buy-out team: Coopers & Lybrand had a list of venture capitalists but 3i was able to exploit its relationship with the management and Lloyd's Council

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CASE STUDY **Ferranti Technologies**

State-of-the-art nuggets

The Cairo and Orm Mills – on the road to the Pennine moors on the edge of Oldham – are typical Lancastrian monuments to yesteryear. Redbrick, multi-storey and flat-roofed, they look like the one of the last places on earth to find a state-of-the-art high technology business.

This was exactly what Mr Trevor Tuckley thought two years ago when Arthur Andersen, the accountancy firm, first put him in as chief executive to prepare the business for sale. Yet he ended up buying into it as leader of a "Bimbo" – a buy-in, management buy-out.

As he puts it himself: "If I had come as an outsider and looked over the wall, I would have walked away. But once I was inside and was able to talk to customers, employees and look at the business's strengths, I realised there were some nuggets in this lot."

The business is now known as Ferranti Technologies and it was formerly the components manufacturing arm of the Ferranti International group. The group was ruined by one of the largest corporate frauds in history and had to be broken up and sold piecemeal in order to be salvaged.

The Oldham operation was the last part of the group to be disposed of when Mr Tuckley and his team completed the deal to buy it in December 1994.

Mr John Talbot and Mr Murdoch McKillop of Arthur Andersen, the joint receivers of Ferranti International, sold most of the group to big names in the defence industry. Ferranti's core defence activities went to GEC. Other parts were sold to Thomson CSF, the French electronics group, and Matra Marconi, the joint venture between GEC and Matra of France.

The Oldham factory, however, became an orphan in this process. It makes sophisticated equipment for many of the main defence contractors, including competitors such as GEC and British Aerospace. None of the giants would have been happy about it being owned by one of the others and controlling everyone else's component supplies. Selling to a customer was therefore ruled out: it needed to be owned independently, but by someone who understood the defence industry and the esoteric demands of the business's customer base.

Two years ago, however, the business was in no condition to be sold as a stand-alone item. It functioned merely as a branch factory within the group, doing what it was told from afar, with an incomplete management team and little control over its own unit costs.

Mr David Platt, one the buy-out team – who joined Ferranti from university in 1983 – says: "This was a Cinderella company. We were a tiny part of large group. We were last in the queue for investment. When we needed a new 'clean room' for dust-free manufacturing, for example, we got a second-hand one with an obsolete air conditioning system that only one member of staff knew how to keep going.

"When cash became an optional extra in Ferranti International after the fraud, we went from mediocre to appalling in no time at all."

Fortunately, however, the company's products are militarily crucial, including battle computers and electronic processors, specialised gyroscopes, air data probes that measure a fighter aircraft's speed, inertial navigation equipment, missile components, and rigs for testing whether missiles will work when fired.

So suppliers and customers – led by GEC, the UK Ministry of Defence, the US Department of Defense, and British Aerospace – took a long view and kept giving credit or paying on time to keep the business afloat.

Things actually improved when Ferranti International went into receivership in December 1993 because the business started to be run on the assumption it had to learn to stand on its own feet. This included cutting over-staffing: job numbers had already declined from a peak of 1,200 to about 1,000; another 400 went in the first week of receivership, with another 300 cuts to come.

Mr Jamie Gleave of Arthur Andersen then started looking for a company doctor to get the business fit enough to sell.

Mr Tuckley, an industrial consultant originally from the Black Country, fitted the profile. He had had a peripatetic career around Britain, turning round troubled engineering companies – and he also knew the peculiarities of operating as a supplier to defence contractors from running Budenburg, which makes pressure gauges for military equipment.

"I was staggered by what I found at first," he says. "The business was classically product-oriented, not customer-oriented. Customers told me they always felt they were being afforded a great privilege in being allowed to buy something from Ferranti."

He rapidly identified Mr Platt's abilities as manufacturing director and those of Mr Peter Davies as commercial director. The three then realised that if preparing the business for sale meant turning it round in the first place, they might as well try to buy it themselves: after all, they were doing the work.

Corporate finance advice came from Mr Philip Nuttall of Latham Crossley & Davies, a north-west accountancy firm specialising in relatively small but growing companies, while Mr Gary Tipper of the Manchester office of Murray Johnstone – the Glasgow-based venture capitalist – assembled a financial package. The price is believed to have been about £3m, of which £1m was deferred for two years. Murray Johnstone provided £1m of equity and the Royal Bank of Scotland a £1m term loan and a £2.8m overdraft for working capital. The government chipped in £500,000 of regional selective assistance.

The price included 10 years' use of the Ferranti name – a competition and vote among employees added the "Technologies" bit – to help continuity in the marketplace, as well as a host of intellectual property rights.

The new management team – since strengthened by the arrival of Mr Fred Brinksman as finance director – immediately demonstrated what a bargain the deal was for them. Because the defence industry's planning horizons are of necessity long-term, Ferranti Technologies is guaranteed an annual £17m of orders for eight years.

First-year turnover was actually £20m because of a backlog of work. This kept 300 jobs intact initially, but the company has now slimmed down its workforce to about 240. It has also made more than £4m of profits, enabling it to reduce debt and leave overdraft facilities in reserve.

Moreover, the Bimbo team – which has a substantial majority stake – has invested £3m, moving out of Orm Mill to consolidate in a refurbished Cairo Mill and install a state-of-the-art clean room for manufacturing its range of delicate components. It has also uncovered some potential nuggets in the intellectual property rights that came with the business.

More important than anything else, however, has been a sea change in attitudes and outlook. An employee share ownership scheme has helped kill any lingering Cinderella complex among the workforce and a £600-a-head first-year bonus has rewarded efforts to perform better.

Most obviously, though, Ferranti Technologies is now thoroughly market-oriented, making what it can sell – small volumes of many different products – rather than trying to sell larger quantities of over-produced goods, as in the past.

Ian Hamilton Fazey

CASE STUDY **Graeme Brook at Crompton Lighting**

Transforming the business

The view from Mr Graeme Brook's office window at Crompton Lighting in Doncaster is of a cluster of rubbish skips. Mr Brook deliberately had them put there: the skips are where the factory scrap is dumped. Because everyone knows he keeps an eye on how full they are, they take great care to try and keep them empty.

"I am a great believer in measuring all aspects of the business. Done properly, people enjoy being measured because you can then reward them for their performance," he explains. "You can measure things like scrap, productivity, attendance and sales calls.

"It's more than having monthly accounts. I incentivise the people who can ensure business, like sales managers or shop floor supervisors who can control costs. They have increased productivity by 10 per cent, and keep working at minimising waste and scrap."

Mr Brook led the management buy-out of Crompton Lighting from BTR early last year. The deal was one of the UK's biggest in terms of equity investment – £13m by 3i's Leeds office. BTR charged £24.2m for the business but also kept £2m in cash, so the total cost was £26.2m. The financial package also included £10m of senior debt from Bank of Scotland, plus a revolving facility of £2.5m and mezzanine finance from 3i worth £4m, which 3i has since sold down to NatWest Ventures.

In spite of the sums involved, the signs are this may have been a bargain for the buyers and backers. In the first 13 months since the buy-out, Crompton turned over £40m and made profits of £5m; a good result for a business making commodity products such as light fittings and light bulbs.

The fittings are made in Doncaster, the light bulbs at Guiseley, Leeds, but Crompton also has sales, marketing and distribution businesses in Australia and New Zealand which accounted for a fifth of turnover at the time of the buy-out. Antipodean supplies are manufactured by a joint venture with Philips and Thorn.

Crompton became part of BTR in 1991, in the same transaction by which BTR acquired Mr Brook – the hostile takeover of Hawker Siddeley. Mr Brook, an electrical engineer by background, learned some of his management skills working for Mr Tony Gartland, one of Yorkshire's most successful entrepreneurs, at FKI, before moving to the Ring Group, then part of Hawker Siddeley.

Crompton had just lost £2.75m on £32.5m of sales. BTR invited him to become chief executive early in 1992.

He says: "Many companies fail because their products' life cycles mature and pass without management developing new ones, or there is poor management of what they have. It was a mixture of both at Crompton. We went from blood to black in the first year and at the end of the second year, we had doubled the black. But the lighting sector does not make 15 per cent on sales, which is the sort of performance BTR wanted. Plus we only had a turnover of about £32m."

This was small beer for BTR, where Crompton was part of a control and electrical systems sector which made a pre-tax profit of £214m on turnover of £1.08bn in 1993. Mr Brook recalls: "I was 48 and thought it was time I made some money for myself. I asked BTR if they would consider selling the business. I got a terse letter back saying simply: 'Please answer the following two questions: 1. How much are you offering? 2. How are you going to raise the money?'"

He had already had told Price Waterhouse in Leeds he was on the look-out for a buy-out or buy-in opportunity and had persuaded the accountancy firm's corporate finance experts in Leeds that he had the ability and experience to be worth backing. Raising the money would be no problem.

Convinced that here was no time-waster, BTR – which was already involved in a series of non-core disposals of relatively small business which did not meet its exacting performance criteria – gave him an exclusivity agreement and negotiated the sale.

He soon found there were gaps to be filled but he had one asset he had not appreciated – more time. "Under BTR, 30 per cent of my time was spent answering to corporate headquarters. What you are short of when you come from a plc background, however, is treasury. Neither are you used to dealing with corporate finance advisers, lawyers and banks."

There were unpleasant things to do. He has reduced numbers to 425 from about 500 at the time of the buy-out – and he had already cut from more than 700 before then. He also replaced his head of Australian operations and sacked his sales and marketing force.

"The business was a product-led cash cow with Hawker Siddeley. The attitude in the factory was often: 'Bloody hell. Why do these sales people always sell what we haven't got in stock.' Sales and marketing were one function and confused and we were not the team we should have been," he says.

He recruited graduates straight from university and experienced people from other companies to rebuild from scratch. Significantly, the executive stakeholders in Crompton are himself, the managing director of UK operations, and the new sales and marketing directors, whose functions are now clearly separated.

"Running a business isn't a black art," Mr Brook avers. "Much of it is common sense. We do not have a single product our competitors do not have, so where can we get our edge? Obviously, it has to be service. We had to make it easy and easier to do business with us."

One way was to outsource distribution to a specialist company, transferring Crompton's drivers in the process. The logistics of distributing to retailers and do-it-yourself sheds required expert managerial and supervisory skills he did not need in-house, Mr Brook reasoned. Crompton has also developed new products, such as lighting which automatically dims as the ambient light increases. The targets here are the architects and designers who specify what should be used in offices and other workplaces.

He has also pulled off a great coup with a £10m order, spread over several years, to re-light hundreds of Inland Revenue offices. In the past, Crompton would have had no chance of becoming one of only two lighting companies appointed to the job; now it has displaced one of its bigger competitors and the industry is taking notice.

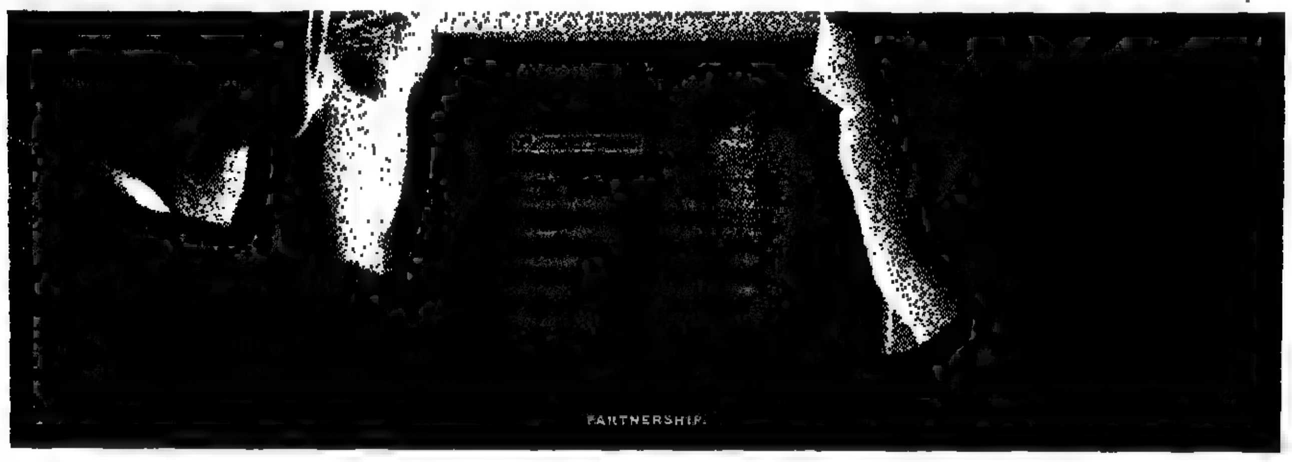
The industry will also notice him in the next 12 months because Mr Brook has taken on this year's presidency of the British Lighting Industry Federation.

So where does he goes from here? "Acquisitions are a great risk," he says. "I have looked at one or two, but they were either overvalued or bleeding cash. The only ones that would be worth it are those I could move into our existing factories at Doncaster or Guiseley."

3i keeps in close touch through one of its senior managers, Mr David Wilkinson, the former director of its Leeds office, who has a non-executive seat on Crompton's board. Their relationship is friendly and there will probably be no pressure from 3i for a realisation by flotation or trade sale while Mr Brook is still transforming the business and cranking up its net worth.

Mr Brook, however, has this advice for other buyers-out: "Never lose sight of the fact that a venture capitalist is potentially the greediest person on earth. You will be successful if you are realistic about them." They are realistic about him, however: he will probably make a lot of money for all those involved.

Ian Hamilton Fazey



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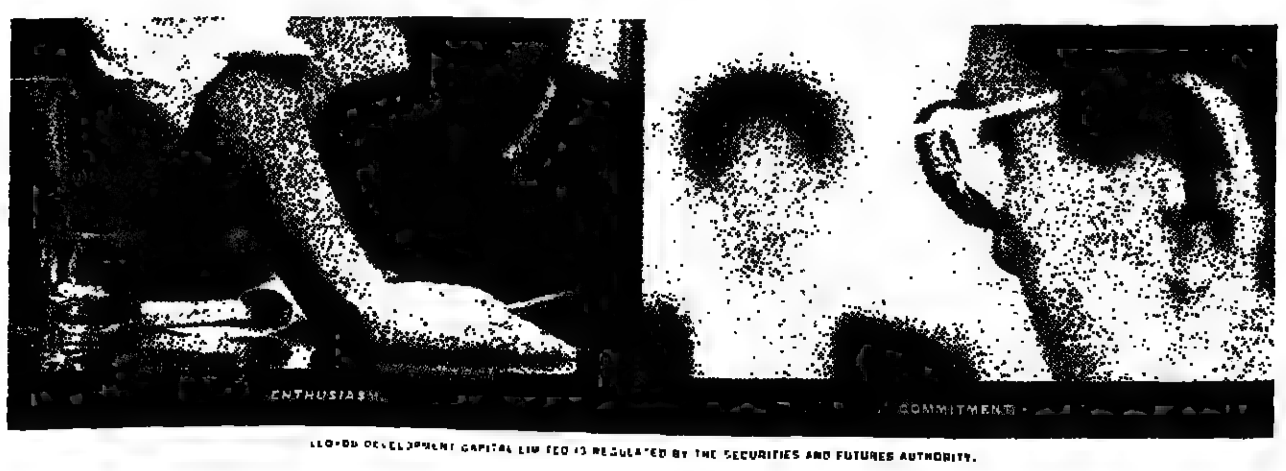

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Who puts more deals on the table?

LEADING DEBT ARRANGERS
1st JANUARY 1990–31st DECEMBER 1995

Debt deal leader	No. of deals	Total debt (£m)
Bank of Scotland	117	1,920
NatWest	75	2,042
Midland/Samuel Montagu	48	941
Barclays	40	564
Royal Bank of Scotland	32	705

Source: KPMG Corporate Finance, 1 January 1996

Once again, Bank of Scotland has topped the table for debt arrangement. Clearly, we have the experience, skills and responsiveness to get the right deal done quickly and efficiently. So, no matter what size of MBO or MBI you're considering, speak to our specialists, in London on 0171 601 6010, in Edinburgh on 0131 243 5829 or in Glasgow on 0141 228 3985. We think you will find that, at Bank of Scotland, we have an unrivalled strength in debt.

BANK OF SCOTLAND

هكذا من الأصل

Privatisation assets: the railway industry by Charles Batchelor

Managers have been squeezed out

For many of the middle managers anxious to exercise their new-found freedom, the competition has proved just too tough

The railway industry has proved to be a harder target for management teams than many thought — Trevor Humphries

At one point early in the process of selling off British Rail's passenger train operating franchises, management buy-out bids appeared set to sweep the board. Buy-out teams were listed as preferred bidders for the first three franchises - South West Trains, Great Western, and London, Tilbury & Southend.

But, in a few short weeks, two of the teams stumbled and were replaced by corporate buyers. The third was successful but, significantly, was bidding jointly with a large bus company.

The railway industry has proved a harder target for management teams than the government and many outside observers thought. Early expectations were that the complexity of the industry would deter outsiders from bidding, leaving the way clear for managers who understood the arcane workings of the railways.

But corporate bidders have been only too willing to snap up railway assets and have squeezed out managers in many cases. The greater financial muscle of established transport operators has enabled them to accept very demanding targets for reducing government subsidies for the passenger train franchises.

The British government's decision to privatise its railway network has put two very different types of business up for sale. Most of the 80 companies created by the fragmentation of British Rail are conventional in the sense that the purchaser acquires the business and its assets outright.

But passenger train services are being franchised out for periods of between seven and 15 years, with very detailed specifications set for the minimum timetable which must be operated, for fares and for permitted levels of overcrowding.

In return, the franchise owner receives a subsidy which, although guaranteed, declines at a pre-arranged rate over the life of the franchise.

The franchise operator has few assets because the trains he runs are owned by a leasing company while the track, signalling and stations remain the property of a separate company, Railtrack.

The advantage to operators is that they are not required to commit funds to acquiring expensive assets. But this also means that there is little asset backing to provide comfort for a development capital company or a bank. In addition, any value which is built up in the business cannot be easily harvested by the management or its financial backers when the franchise comes to an end.

This lack of a conventional "exit" for the development capitalist has meant that the buy-outs which have taken place have tended to attracted organisations which structure their deals to take a running yield throughout the life of the franchise rather than relying mainly on an increase in the capital value of their investment.

3i, in partnership with FirstBus, a large bus group, provided funding for a £35m buy-out of Great Western Trains. 3i, jointly with Gresham Trust, also financed the ultimately unsuccessful bid by the management of LTS Rail for the London, Tilbury & Southend franchise. Gresham and 3i both emphasise the importance of a running yield.

LTS Rail was initially declared the winner of the bidding for its franchise but was disbarred in February following allegations of irregularities in the sale of tickets. The franchise is now expected to go to Prism Developments, a grouping of four bus companies.

At one stage last December, managers at South West Trains were the preferred bidders for their franchise but they were dislodged in the final stages of the contest by Stagecoach, another bus group, which was willing to pay a very competitive price for a seven-year franchise.

The outlook for the remaining franchise sales is uncertain. Six lines have already been franchised, a further 14 are in the process of being sold off while five have yet to be put on the market.

There is a mix of lines still to be sold ranging from ScotRail, which covers the whole of Scotland, through dense networks around the large cities such as Merseyrail, to small local networks including the Cardiff Valleys and the Island Line on the Isle of Wight.

Some of the successful bidders for the early franchises such as Stagecoach, FirstBus, National Express and CGEA, a French transport group, are keen to create rail portfolios and will certainly be interested. Managements will continue to face tough competition.

Elsewhere in the rail industry, management teams have achieved moderate success in bidding for their businesses. Managers of the BR heavy maintainance depot at Eastleigh in Hampshire were successful with a £10m-plus bid for their company.

Wessex Traincare, as the business is now known, was backed by 3i.

But the other five heavy maintenance depots to be sold went to large engineering groups. ABB, now Adtranz, bought three while Babcock International and Siemens acting together bought the other two. Unlike a management team making a one-off bid, these groups could make savings by merging these activities with their existing operations.

Managers were successful, however, in bidding for BR's main on-board catering supplier, OBS services. Candover provided funds for this deal. A management team also acquired the Red Star parcels business against three outside bidders.

Management teams put in bids for all three trainload freight businesses - which carry heavy loads such as coal, steel and building aggregates. But a bid from Wisconsin Central Transportation, a US freight company, for all three businesses, was ultimately successful.

If the government had stuck to its original plan of keeping these three businesses separate, the management teams would have had a better chance of winning. But the decision to re-merge the businesses gave the edge to an outside bidder with more financial resources.

Management teams proved more successful in the bidding for the three rolling stock leasing companies which were set up to assume ownership of BR's 11,000 locomotives and carriages. Eversholt Leasing was acquired by its management in a £580m deal backed by development capitalists Candover and Electra while Porterbrook Leasing went to managers backed by Charterhouse.

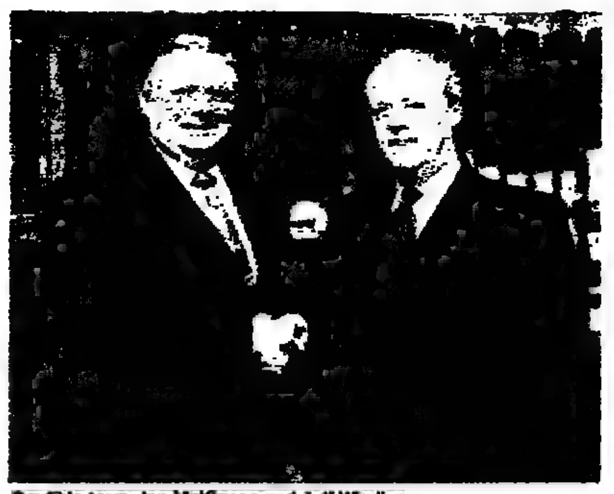
But the position of the managers in these companies was slightly unusual. They were all outsiders with experience of either the leasing or rail industries, and brought in 18 months earlier to prepare the newly-created companies for privatisation. These deals could justifiably be described as delayed buy-ins.

Despite continuing criticism from opposition politicians and critics of privatisation that British Rail has been sold off too cheaply, the government has been pleased with extent of outside interest in acquiring railway assets. For many of the middle managers anxious to exercise their new-found freedom, however, the competition has proved just too tough.

CASE STUDY **Ian McKinnon and British Aluminium**

Exclusive rights

It did not take long for Mr Ian McKinnon to decide what he wanted to do at British Alcan, the subsidiary of the giant Canadian aluminium manufacturer. He wanted to buy it.



Credible team: Ian McKinnon and Jeff Whalley

The 49-year-old Scottish mechanical engineer, recruited by Alcan to turn round some of its underperforming UK businesses, realised quite quickly that the North American parent had bigger things on its mind than selling baking foil or making gas cylinders.

"A monolith with $9bn of assets and slow-burn projects such as dams and smelters was clearly not the ideal owner of these operations," he says.

Mr McKinnon knows a good deal when he sees one. He helped engineer the £4m management buy-out of Leyland Bus in 1986, where he was managing director, and two years later sold the company to Volvo of Sweden for an undisclosed sum. At the time, Volvo said the "multi-million deal" made the managers involved "very wealthy men".

He then turned his attention to Leyland Trucks, where he considered a possible buy-in. Mercury Development Capital, part of Mercury Asset Management, worked with him on the deal, which was frustrated when the receivers opted for a management buy-out.

Despite that setback, Mr McKinnon maintained close ties with Mercury and turned to the venture capital group last year when Alcan decided to sell its 12 UK businesses.

"Ian was already on the inside as a company doctor for Alcan, so together we started looking at a buy-in long before the other bidders," recalls Ms Frances Jacobs, a director of MDC.

Alcan, however, warned Mr McKinnon that it was unlikely to sanction a management buy-out and encouraged him instead to leave the company so he could form a credible buy-in team.

With MDC's help, he brought in CVC Capital Partners and Morgan Grenfell Development Capital. The three venture capital partners together helped raise £265m to buy the company from Alcan and provide working capital.

In return, they received an 85 per cent stake in the company with the remainder held by the existing management. Senior debt facilities were arranged by Bank of Scotland, Morgan Grenfell and the Royal Bank of Scotland.

"It was relatively straightforward," says Ms Jacobs. "But our existing relationship with the chief executive helped us push things through."

Indeed, Alcan had already signalled its favoured option by granting Mr McKinnon and his team exclusive bargaining rights so that the businesses could be sold as one package.

Mr McKinnon predicts that the portfolio will benefit from an injection of entrepreneurial culture and the new-found freedom from its one-time parent.

Last year, the businesses made operating profits of more than £25m on sales of £500m. While reluctant to set targets, the newly-renamed British Aluminium is expected to report margins this year significantly ahead of the current 5 per cent level. Of its 12 businesses, Mr McKinnon has the highest hopes for four key operations: Luxfer Gas Cylinders, Magnesium Elektron, MEL Chemicals, and British Aluminium Plate. Each of these businesses is already, or has the potential to be, a world market leader in its field.

Although Mr McKinnon admits some of the other businesses have been stumbling along, he claims they can be turned around in time for a possible flotation in about three years time.

Alcan, however, denies that it sold these businesses too cheaply. At £200m, the purchase price was at a comfortable premium to the £180m net assets.

Mr Jeff Whalley, chairman of engineering group FKI and non-executive chairman of British Aluminium, is also well aware of the challenges ahead. "This company will achieve its potential by becoming more entrepreneurial, flexible and responsive to customer needs. Our aim is to make British Aluminium a leading player in the marketplace by exploiting its product strength and international presence."

Tim Burt

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No Border Controls

May 1996 £70,000,000 Secondary Buy-Out of Sheffield Forgemasters. Led and arranged by NatWest Ventures

May 1996 SKr 183,000,000 Management Buy-Out of Semcon. Led and arranged by NatWest Ventures

May 1996 £36,000,000 Acquisition with Management of [logo]. Led and arranged by NatWest Ventures

April 1996 £18,000,000 Acquisition of Halco from Marshalls plc. Led and arranged by NatWest Ventures

April 1996 £16,000,000 Management Buy-Out of Cleland. Led and arranged by NatWest Ventures

March 1996 £27,000,000 Management Buy-Out of Colorgraphic. Led and arranged by NatWest Ventures

March 1996 Lit. 127,000,000,000 (£51,000,000) Management Buy-Out of Zincocelere from Olivetti. Co-Led and arranged by NatWest Ventures

March 1996 £32,000,000 Management Buy-Out of Motor House. Led and arranged by NatWest Ventures

January 1996 FFr undisclosed Management Buy-Out of the Equipment Rental and Distribution Business of Pinault Equipement. Co-Led and arranged by NatWest Ventures

October 1995 FFr 124,600,000 Management Buy-Out of Groupe Coreci. Led and arranged by NatWest Ventures

September 1995 Pts 875,000,000 Management Buy-In of Industrias y Fundiciones. Led and arranged by NatWest Ventures

June 1995 DM undisclosed Management Buy-Out of Hauser Firmengruppe. Led and arranged by NatWest Ventures

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Private Equity

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PRIVATE EQUITY
FOR MARKET LEADERS

£265,000,000
Funding for the Management Buy-in of BRITISH ALUMINIUM
Originated and led by Mercury Asset Management
co-led and co-underwritten by CVC Capital Partners, Morgan Grenfell Development Capital
Financial due diligence Ernst & Young
Advisers to British Aluminium Dickson Minto
MERCURY

£235,000,000
Congratulations to the management of NTL GROUP LIMITED
NTL
on the sale of the company to International CableTel
Funds managed by Mercury Asset Management acquired NTL Group in October 1991.
Advisers to NTL Group SBC Warburg
Advisers to International CableTel Price Waterhouse
MERCURY

£120,000,000
Congratulations to the Management of the Vero Group on its successful flotation
VERO
VERO GROUP PLC
Funds managed by Mercury Asset Management supported the Management Buy-Out of Vero Electronics in April 1994
Financial due diligence Ernst & Young
Advisers to Management Arthur Andersen
MERCURY

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And we think you'll enjoy working with us too.

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■ **Venture capital trusts:** by Roger Taylor

Modest but satisfactory start

Since the start of 1996 there have been 11 new launches, many of which have been extremely popular

It is now almost a year since the rules allowing venture capital trusts were introduced. VCTs are the latest attempt by the government to persuade private investors to put money into highly speculative small businesses – including MBOs – with the offer of generous tax breaks.

An end-of-term report on the first money-raising season for VCTs, which is now just coming to an end, would probably read "adequate" or "satisfactory".

The amounts of money raised have been well below the wildly optimistic estimates made by Mr Kenneth Clarke, the chancellor, when he first announced plans for VCTs in the 1994 Budget. At that time, he hoped to see £2.5bn invested through them. In fact, in their first year, VCTs have raised *just a little over £150m.*

This is a modest but satisfactory start. Certainly the outlook has been improving. The few trusts launched in 1995 all failed to raise their target and one had to be pulled. But since the start of 1996 there have been 11 new launches, many of which have been extremely popular.

The most successful was Advent which raised more than £30m. Gartmore and Close Brothers were also very popular and received more than £20m. Guinness Flight and Quester both raised about £10m. Other issues – Capital for Companies, Hodgson Martin and British Smaller Companies – had a more difficult time raising money.

Two other VCTs – Johnson Fry Aim and Pennine Aim – have been set up to focus on investment in the Alternative Investment Market, the junior stock market for smaller companies.

Many commentators see the slow start and relatively small sums of money raised by VCTs as a good sign. It is certainly very different from the huge sums of money which were being raised by Business Expansion Schemes in the last few years of their existence.

There has been a good deal of pessimistic comment surrounding the launch of VCTs, largely influenced by the failure of the Business Expansion Schemes (BES). The schemes were the predecessors of the VCTs which gave investors large tax breaks for investment in small business. Most ended painfully with some suffering staggering losses of more than 80 per cent. However, in designing the rules for VCTs the chancellor clearly learned many lessons from the failure of VCTs. The most important difference is that BES schemes had only six months to invest their money. Furthermore, because of the extremely generous tax breaks, many schemes raised far more money than anticipated. This created problems in finding sufficient companies in which to invest the money.

Inevitably, the quality of investments suffered – which showed in the returns to investors.

In contrast, VCTs have up to three years to make investments. At the end of three years, at least 70 per cent of the money must be invested in companies with gross assets of less than £10m.

An encouraging sign for the future of VCTs is that few people have tried to use the new structure to provide tax avoidance schemes. With the BES, the focus came to be entirely on how investors could get the tax breaks, rather than on the nature of the investments being made. With VCTs in contrast, most companies are marketing themselves to investors on their track record as managers of small business investments.

Only one company so far has attempted to use the VCT regulations to create a tax avoidance vehicle. Noble & Company's Augustus trust was designed to be a virtually risk-free VCT.

A quarter of the money was invested in gilts. Most of the remainder was invested in small companies but backed by an agreement with Lloyds bank to ensure that investors suffered no loss.

However, this sort of financial engineering proved unpopular and the issue was pulled.

It is too soon to say how active VCTs will be in the MBO market. All of them have drawn their investment briefs as wide as possible to include start-ups, early stage investments and MBOs, so as to give them the greatest possible freedom of action.

It is possible to see some distinctions between the approaches of the different managers. For example, both Advent and Quester have leanings towards high technology companies. Northern Ventures has an obvious regional link to *its home area of the North East.*

Close Brothers have made clear their intention to stick to investment in the safe end of the market – mature businesses with strong earnings records, or else asset backed companies such as nursing homes.

PROFILE River & Mercantile Management Buy-Out Fund

Impressive investment performance

The River & Mercantile Management Buy-Out Fund (Rambo for short) is a collective investment fund which specialise in MBOs. It invests in the shares of companies which have been through an MBO and have subsequently floated.

The fund, an authorised UK unit trust, is relatively small with only £15m invested in it. However its investment *performance is impressive.*

The company has constructed its own benchmark index, the CMBOR Index, in association with the Centre for Management Buy-Out Research at Nottingham University, which tracks the performance of post-float MBOs. Over the past five years, the index has consistently outperformed the FT-SE-A All-Share Index. Furthermore, Rambo has achieved its aim of outperforming the CMBOR *Index since it was launched* last year.

Rambo's success may come as a surprise; it is sometimes seen as a worrying sign if a management sells out of an MBO. It might be interpreted that the management could become less committed to the company. And it could also be argued that the management would hardly be selling at a time when the company's fortunes were about to improve considerably.

However, River & Mercantile research indicates *the opposite. MBO companies* which float have tended to outperform the stockmarket.

Their explanation for this is that the MBO process is so taxing, that any company which survives and makes it to market must be in excellent shape. In particular, MBO companies are normally saddled with very large debts.

This added burden provides a very tight control on management, and ensures that only the most efficient companies survive. Consequently they will often *come to market more efficient* than their competitors.

Roger Taylor

Leading solicitors in larger UK MBO/MBIs

1 January 1990 - 31 March 1996

Solicitor	No. of deals acting for equity leader	No. of deals acting for debt leader	No. of deals acting for management	Total no. of deals
Clifford Chance	58	14	10	82
Ashurst Morris Crisp	49	10	9	68
Lovell White Durrant	15	41	6	62
3i Legal	57	2	0	59
Wilde Sapte	1	50	2	53
Alsop Wilkinson	6	27	18	51
Allen & Overy	13	32	5	50
Macfarlanes	26	9	10	45
Dickson Minto	14	13	10	37
Dibb Lupton Broomhead	11	4	21	36
Eversheds	6	5	23	34
S J Berwin & Co	17	1	13	31
Edge & Ellison	4	12	10	26
Pinsent Curtis	6	3	13	22
Hammond Suddards	5	13	2	20
Travers Smith Braithwaite	8	4	8	20
Cameron Markby Hewitt	11	3	5	19
Wragge & Co	3	4	10	17
Booth & Co	10	2	3	15
Turner Kenneth Brown	9	0	5	14
Addleshaw Sons & Latham	4	3	6	13
Nabarro Nathanson	7	1	5	13
Simmons & Simmons	7	2	4	13
Herbert Smith	10	0	2	12
McKenna & Co	3	3	6	12
Maclay Murray & Spens	4	3	4	11
Norton Rose	0	7	4	11
Osborne Clarke	3	2	6	11
Bank of Scotland Legal	0	10	0	10
McGrigor Donald	5	1	4	10
Others	56	57	190	303
None/Not Known (Duplication)	3	93	17	113
Total	431	431	431	1,293

Qualification: Larger UK MBO/MBIs are those with total funding of over £10m, acted in ten or more deals. Source: KPMG Corporate Finance, 1 April 1996

Estimate of total UK MBO/MBIs

Year	Number	Value £m	Average size £m
1981-86	1,350	3,550	2.6
1987	350	3,230	9.2
1988	400	5,070	12.7
1989	500	6,530	13.1
1990	550	2,860	5.2
1991	500	2,640	5.3
1992	520	3,020	5.8
1993	510	2,810	5.5
1994	550	3,590	6.5
1995	560	6,700	12.0
1996 (to date)	150	1,350	9.0
Total	5,840	41,350	7.0

Source: KPMG Corporate Finance, 1 April 1996

Analysis of gearing in larger UK MBO/MBIs

Period	Total funding (£m)	Equity (£m)	Mezzanine (£m)	Debt (£m)	Gearing (M+D:E)	Mezzanine (% of total)
7 years to Dec-87	5,418	1,702	421	3,295	2.2	8
6 months to Jun-88	851	171	42	638	4.0	5
Dec-88	3,657	1,035	238	2,384	2.5	7
Jun-89	1,729	452	158	1,119	2.8	9
Dec-89	4,156	603	706	2,847	5.9	17
Jun-90	1,276	308	142	826	3.1	11
Dec-90	780	263	63	454	2.0	8
Jun-91	700	332	30	338	1.1	4
Dec-91	1,222	443	110	669	1.8	9
Jun-92	1,045	419	62	564	1.5	6
Dec-92	1,259	584	34	641	1.2	3
Jun-93	919	400	67	452	1.3	7
Dec-93	1,091	457	54	580	1.4	5
Jun-94	1,050	487	31	532	1.2	3
Dec-94	1,740	655	59	1,026	1.7	3
Jun-95	2,032	863	82	1,087	1.4	4
Dec-95	3,865	1,094	97	2,674	2.5	3
3 months to Mar-96	1,164	516	45	593	1.2	4
Total	33,944	10,784	2,441	20,719	2.1	7

Qualification: Larger UK MBO/MBIs are those with total funding of over £10m
Source: KPMG Corporate Finance, 1 April 1996

Leading debt arrangers in larger UK MBO/MBIs

1 January 1990 - 31 March 1996

Debt deal leader	Number of deals	Total debt (£m)	Average value (£m)
Bank of Scotland	128	2,231	17
NatWest	80	2,268	28
Midland/Samuel Montagu	51	988	19
Barclays	42	585	14
Royal Bank of Scotland	36	735	20
Deutsche Morgan Grenfell	15	1,388	93
Lloyds	11	282	26
Bankers Trust	7	892	127
Banque Indosuez	7	63	9
N M Rothschild	6	74	12
Societe Generale	5	390	78
Union Bank of Switzerland	5	346	69
Hambros Bank	5	50	10
Chemical Bank	3	100	33
3i	3	17	6
TSB	3	15	5
Others	40	1,433	36
None/Not Known/(Duplication)	(16)	(1,421)	
Total	431	10,436	24

Qualification: Larger UK MBO/MBIs are those with total funding of over £10m, led three or more deals
Source: KPMG Corporate Finance, 1 April 1996

Larger UK MBO/MBIs by value (£m)

	1981-86	1987	1988	1989	1990	1991	1992	1993	1994	1995
Under £25m	640	180	380	570	570	300	420	370	680	970
£25m-£50m	480	200	410	540	410	380	460	540	590	630
£50m-£100m	750	380	670	710	290	370	510	320	520	910
£100m-£250m	210	1,020	850	770	530	870	490	510	640	1,950
£250m+	590	970	2,200	3,300	260	0	420	270	360	1,440
Total	2,670	2,750	4,510	5,890	2,060	1,920	2,300	2,010	2,790	5,900

Qualification: Larger UK MBOs are those with total funding of over £10m
Source: KPMG Corporate Finance, 1 April 1996

Specialised Financing

Lloyd's of London Press Ltd
management buy-out
£36,500,000
Senior Debt Facilities
arranged by
HSBC Investment Banking
December 1995

New Look Limited
management buy-out
£96,000,000
Senior Debt Facilities
arranged by
HSBC Investment Banking
December 1995

The Motorhouse
management buy-out
£19,000,000
Debt Facilities
arranged by
HSBC Investment Banking
March 1996

Harris Chemical Europe Limited
leveraged recapitalisation
£5,000,000
Mezzanine Finance
provided by
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HSBC Investment Banking
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July 1995
The Tetley Group
Management Buy-In
£146 million
Senior Debt Facilities
Arranger and Underwriter
Union Bank of Switzerland

June 1995
Associated British Industries Plc & Petrowax PA Inc
Management Buy-Out
US$80 million
Senior Debt Facilities
Arranger and Underwriter
Union Bank of Switzerland

December 1995
Holec International N.V.
Management Buy-Out
Dfl 123 million
Senior Debt Facilities
Arranger and Underwriter
Union Bank of Switzerland

December 1995
TAG Heuer S.A.
Leveraged Capitalisation
CHF 415 million
Senior Debt Facilities
Arranger and Underwriter
Union Bank of Switzerland

February 1995
Kässbohrer GmbH
Management Buy-Out
DM99 million
Senior Debt Facilities
Arranger and Underwriter
Union Bank of Switzerland

March 1995
Safe Rigs Ltd
Management Buy-Out
US$95 million
Senior Debt Facilities
Co-Arranger and Underwriter
Union Bank of Switzerland

January 1996
Capolo Holding SpA
Leveraged Acquisition and sale of 60% of Capolo Holding SpA to Pechiney S.A.
Adviser and Arranger to seller
Union Bank of Switzerland

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UK regions: by Richard Wolffe

The market has snowballed

Regional networks of corporate financiers, lawyers and accountants have had a palpable impact on the size and number of deals outside London

For many of Britain's regional centres, the management buy-out market has snowballed into a substantial success over the past three years. Once the larger deals hopped on the train to London; today the culture of the corporate financiers has travelled to the regions.

The regional market now prides itself on self-sufficiency. As the size and number of deals has grown, the size of the regional financial services industry has grown, leading in turn to a larger volume of deals for higher sums.

The end result is that dealmakers – whether vendors, management teams or institutions – increasingly stay within a regional framework.

Mr Chris Rowlands, Midlands regional director of 3i, says: "Five years ago the majority of transactions were trundling off to London and the regional offices never had the opportunity to develop their skill base. But there has been a shift of activity from London to the regions. We have brought the concept closer to regional management teams so that they do not see these deals as City-based affairs. They are reading about them every day of the week, and they probably know someone who has done it or is doing it.

"It has brought the City [of London] to the regions. The professional infrastructure in these centres is such that it is now entirely possible to do significant transactions in places like Birmingham, Leeds and Manchester, in a way that was impossible before."

These regional networks of corporate financiers, lawyers and accountants have had a palpable impact on the size and number of deals outside London. According to research by the Centre for Management Buy-out Research in Nottingham University, the value of regional buy-outs and buy-ins has increased dramatically over the past 12 months in particular.

In 1994, the total value of deals stood at £3.75bn, but last year it rose by 45 per cent to £5.46bn. Outside the South East, the charge has been led by the East and West Midlands.

In the East Midlands, the total value of deals rose threefold to £722m with the help of previously unmanageable deals such as the buy-out of the Derby-based rolling stock leasing company Porterbrook for £527m. However, the region was also lifted by the number of deals which rose from 37 to 71.

In the West Midlands, the value of deals rose by a more modest 81 per cent to £607m, most of which came from management buy-ins rather than buy-outs, which actually declined in value. Overall, the region moved ahead as publicly-quoted companies continued to divest subsidiaries and divisions, particularly in the manufacturing sectors.

However the picture was less rosy in Scotland, Wales and Northern Ireland, where the number and value of deals declined last year. In Scotland, the number of deals fell from 58 to 55, in Wales from 18 to 10 and in Northern Ireland from eight to five. In all these places, the market was squeezed by the lack of receivership cases over the past two years.

In Wales, some of this decline was offset by the sale of family-owned businesses, which also boosted the South West. There, the sale of former family businesses represented three-quarters of all buy-outs and buy-ins.

Much of the increased activity has come from a sea-change in attitudes among regional participants. Not only are there more professionals with greater skills in the regions, but they have become far more active in chasing deals than they were in the past.

Providers of private equity finance have ceased to wait for deals to arrive from management teams and are now actively hunting opportunities to buy a company. This has pushed the trend towards the management buy-in and more latterly the "bought" institutional deal, where institutions lead the deal and management teams are involved only late in the day.

The trend has brought into sharp focus the gap between the intermediaries, such as accountants, and the capital providers. Alongside the intense competition in the regions, the choice for management teams about where to turn for help is not an easy one. Mr David Hardy, corporate finance partner at KPMG in Birmingham, said: "The worst thing a management team can do is go to the banks directly. They can look very amateurish to the institutions. There is so much involved in a buy-out that it needs a lot of planning. And the only advantage a buy-out team has is early knowledge, so they need to plan early to clinch the deal.

"The most important aspect to a buy-out is to check whether it is viable and that boils down to financial detail. The financial adviser such as an accountant can assess whether the combination of the business and the management can make the buy-out succeed."

This is not a view shared by the fund providers, who are accused of being unhappy with the "beauty parades" organised by intermediaries.

However, the financiers feel they prefer a direct contact with a management team because they have a longer-term relationship with an investment than an adviser.

They also believe that the price of a deal is the most crucial aspect, which can only be resolved by the dealing closely with the vendor.

Mr Kevin Reynolds, director of NatWest Ventures in the Midlands, said: "I think we are able to open doors that others cannot. It makes sense to talk to the people with the money because the most important factor in an MBO is to buy a good enough business at a good enough price.

"Accountants can make a judgment about whether it is good enough, but we can say definitely whether it should get the money. And vendors feel more comfortable talking to us because they know they are talking to the dealmaker."

However, the real driving force between the shifting power between management teams, intermediaries and financiers, is the new financial muscle of the institutions.

"We have significantly increased the financial resources available to us and can underwrite larger kinds of equity and do bigger deals," said Mr Reynolds.

Larger UK MBO/MBIs by region

	1 Jan 1981 - 31 Mar 1996 Number	1 Jan 1981 - 31 Mar 1996 Value (£m)	1 Jan [illegible] - 31 Mar 1996 Number	1 Jan [illegible] - 31 Mar 1996 Value (£m)
East Anglia	16	399	13	296
East Midlands	43	1,519	30	1,070
London	101	6,801	54	3,107
North	15	468	10	305
North West	70	2,478	50	1,883
Northern Ireland	6	252	4	212
Scotland	41	1,261	30	956
South East (excl London)	207	13,384	133	6,208
South West	33	1,885	19	993
Wales	11	579	7	247
West Midlands	62	1,917	44	1,418
Yorkshire & Humberside	53	2,411	29	858
Other	8	580	8	580
Total	666	33,944	421	18,133

Qualification: Larger UK MBO/MBIs are those with total funding of over £10m
Source: KPMG Corporate Finance, 1 April 1996

Birmingham: it is now possible to do significant transactions there in a way that was impossible before, says Chris Rowlands of 3i *Picture Trevor Humphries*

Analysis of larger UK MBO/MBIs by quarter

Quarter	Larger MBO/MBIs number	Larger MBO/MBIs value £m	Larger MBO/MBIs average £m	Est. value of smaller MBO/MBIs £m	Total value £m
1992					
I	16	640	40	180	820
II	13	400	31	180	580
III	15	440	29	180	620
IV	10	820	82	180	1,000
	54	2,300	43	720	3,020
1993					
I	9	380	42	200	580
II	13	540	42	200	740
III	12	630	53	200	830
IV	17	460	27	200	660
	51	2,010	39	800	2,810
1994					
I	14	400	29	200	600
II	26	650	25	200	850
III	20	910	46	200	1,110
IV	22	830	38	200	1,030
	82	2,790	34	800	3,590
1995					
I	21	750	36	200	950
II	30	1,280	43	200	1,480
III	27	890	33	200	1,090
IV	37	2,980	81	200	3,180
	115	5,900	51	800	6,700
1996					
I (to date)	24	1,150	48	200	1,350

Qualification: Larger UK MBO/MBIs are those with total funding of over £10m
Source: KPMG Corporate Finance, 1 April 1996

Exits: by Christopher Price

Upturn in new issues

Confidence began to return slowly last year, helped substantially by the arrival of the Alternative Investment Market

The new issues market is enjoying a renaissance, with MBOs playing an important part in the revival.

There are several reasons for the upturn, including the continuing rise in the equity markets and the advent of the Alternative Investment Market, which has opened an avenue for smaller company flotations.

Perhaps most important of all has been the restoration in confidence in the new issue market after the tarnishing it received in the second half of 1994, which carried into the next year.

The problem had started a year before, at the beginning of the recovery in the stock market after the recession. Fund managers looking to invest, particularly in what were perceived as recovery stocks, found a shortage of opportunities among blue chip companies and began casting around smaller companies, and inevitably on new issues.

The latter were usually priced at a discount to their sectors, providing a cushion for investors and in the hope of giving the shares a positive debut once trading began. They also contained a large proportion of classic growth sector stocks, such as in multimedia, biotechnology and pharmaceutical issues.

Rising prices in the stock market inevitably percolated through to the new issues market, an increase fed by the growing demand from institutional investors. The demand led to a rush of new companies coming to the market, some moving ahead of their previous planned joining dates in order to take advantage of the high prices institutions were willing to pay.

The ensuing collapses were acrimonious. Aerostructures Hambles was one of several to highlight the problem of unsuitable flotations at unreasonable prices. The aircraft parts company was floated at 120p in June 1994 and had issued two profits warnings within four months.

The 1992 MBO from British Aerospace lost lucrative contracts and incurred production difficulties seemingly within weeks of coming to the market. The shares collapsed to 20p. Last September, EIS bought Aerostructures in a £18m deal, worth about 31p a share.

Other similar mishaps, made worse by a decline in the stock market towards the end of 1994, led to institutional investors mounting a virtual boycott of the new issues market during the first part of 1995.

Sponsors were accused of not exercising their due diligence correctly and demanding unrealistic prices. Venture capitalists were criticised for wanting to exit too quickly. Similarly, managements were suspected of wanting to realise their investments too early.

Several high-profile flotations were forced to withdraw as a result of the subsequent investor indifference.

However, confidence began to slowly return during last year, helped substantially by the arrival of the Alternative Investment Market. The market for smaller companies began trading in June and has been responsible for providing a stimulus to a large number of companies which would not otherwise have floated.

Institutions also claim that prices have become more realistic on the main market, a factor which has fed through to renewed interest and the revival of interest from companies seeking a flotation.

This year, for example, the number of flotations rose sharply in the first quarter. On the main list, the number reached 16, raising nearly £1bn – compared with 22 flotations raising £851m last year. However, including figures from Aim, there were 46 new issues with about £1.13bn raised this year.

The pricing issue, with institutions remaining sensitive to the problems of 1994, has continued to feature in many recent new issues. Century Inns, for example, finally managed to secure a listing in December, but only at the second attempt, and at a 10 per cent discount to the price which the pub group was originally seeking.

The shares were placed at 120p, giving the group – which had already pulled one float attempt in the previous February – a market value of £47.4m: about £7.5m below original expectations. Similarly, the £22.7m of new money was raised, against hopes of about £30m. One result was that the venture capitalists who had backed the MBO decided not to sell any shares at that price.

Century claimed its flotation hopes had been undermined by the flotation of the rival Enterprise Inns the month previously. The shares have since risen to 135p.

Cortworth, the specialist engineering group, has fared better, reflecting the company's niche position, strong trading record and investor interest in engineering. The shares were valued at the top end of market expectation when they were placed at 150p in November.

They have since risen by a third to 200p, buoyed recently by reporting a doubling of annual pre-tax profits.

Cortworth was sold by Williams Holdings to its management for £40.3m two years ago. The company and its advisers had been expecting a valuation of about £80m.

Another MBO to receive a warm reception was Vero, the manufacturer of racks and enclosures for the telecoms industry. It also floated in November, its shares being placed at 220p in an issue which was oversubscribed. However, since then they have drifted, climbing to only a 9 per cent premium, despite producing good results recently. The shares have suffered, however, on the back of a profits warning from one of its competitors.

These mixed set of post-float performances reflect as much on the vagaries of the market as the differences between the individual companies and their particular sectors.

However, research by the Centre for Management Buy-Out Research at Nottingham University found that MBOs floated last year outperformed the FT-SE-A All-Share index by 25 per cent. The CMBOR index has increased by 118.7 per cent since December 1990, while the Hoare Govett Smaller Companies index has increased by 79 per cent.

Date of exit from larger MBO/MBIs

Year of entry	Total number of MBO/MBIs	Exited by end Dec-95 Number	%	Exited by end Dec-94 Number	%
1981-85	48	45	94	45	94
1986	27	26	96	24	89
1987	33	27	82	26	79
1988	55	40	73	38	69
1989	72	45	63	40	56
1990	60	33	55	26	43
1991	45	19	42	14	31
1992	54	28	52	17	31
1993	51	18	35	10	20
1994	82	5	6	1	1
1995	115	0	0	0	0
Total	642	286	45	241	38

Qualification: Larger MBO/MBIs are those with total funding of over £10m
Source: KPMG Corporate Finance, 1 April 1996

Type of exit from larger MBO/MBIs

Year of exit	Number of trade sales	Number of flotations	Number of failures	Total number by exit year
1982-85	3	7	0	10
1986	4	6	0	10
1987	8	8	0	16
1988	7	11	2	20
1989	13	6	1	20
1990	10	3	6	19
1991	8	3	5	16
1992	12	8	11	31
1993	20	24	4	48
1994	19	29	3	51
1995	29	13	3	45
1996 (to date)	11	1	0	12
Total	144	119	35	298

Qualification: Larger MBO/MBIs are those with total funding of over £10m
Source: KPMG Corporate Finance, 1 April 1996

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CGA Direct Group Limited
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■ **The US:** by Richard Waters

Best and worst of times

The funds attracted some $20bn of new money last year and now must have about $35bn burning a hole in their pockets

These are the best of times and the worst of times for the US buy-out industry. There is more cash available than ever before – in the form of both equity and debt – to back acquisitions. Yet the US stock market's dramatic climb last year has put private investors at a disadvantage to public companies, which can – and have – taken advantage of high valuation levels to issue stock in support of their purchases.

This is the point in the cycle when it is better to take companies public than to take them private. It is, in short, not an environment where cash buyers typically prosper.

Yet cash has been pouring into US leveraged buy-out funds. In part, that is a reflection of their recently achieved respectability: the best-known buy-out firms have now been in business more than 15 years, and have been through at least two investment cycles (most hope to hold investments no more than five to seven years.) That has been long enough to convince cautious pension fund managers that their high rates of return are not simply a fluke.

Five or 10 years ago, few defined benefit pension plans had made investments in the buy-outs funds, says Mr Roger Bransford, managing director of Watson Wyatt's north American investment consulting business. "Now, it's not at all uncommon to see 5 per cent or more" of a plan's assets in such vehicles, he adds.

The result has been a wave of new cash. The funds attracted some $20bn of new money last year and, by a conservative calculation, now have about $35bn burning a hole in their pockets – although some estimates put the level of uninvested equity at $50bn or more. Given the ratio of debt to equity typically seen in leveraged buy-outs these days (about 3 or 4 to 1), that suggests that the funds have the combined fire-power to mount acquisitions worth $150bn or more.

The money is still flowing in. In recent weeks, some of the best-known of the US buy-out firms have put the finishing touches to new funds. Forstmann Little has just raised $2.3bn, its largest-ever fund, less than a year after completing a $1.9bn fund. Kohlberg Kravis Roberts has been working on a giant fund of its own.

The latest KKR financing points to one result of the growth of the buy-out business. The firm, famous for the huge fees it garnered from the purchase of RJR Nabisco, has now been asked by its investors to scale back its share of the profits it generates. The private equity business "used to be a sellers' market," says Mr Bransford at Watson Wyatt: "Now, [pension] plan sponsors are getting a bit more assertive over fees."

It will not be easy to find a profitable home for all the money that has been raised. The cash now at the funds' disposal compares with total spending on US takeovers and mergers in 1995 of some $800bn, a record year. And as equity has become the favoured currency of the takeover business, buy-outs have become relatively less important: they accounted for only 3 per cent of last year's acquisitions, compared with 14 per cent in 1988, the previous record year for US merger and acquisition activity.

Despite this, the biggest buy-out specialists, and other financiers, argue that it is possible to sustain their investment returns.

Mr Joseph Rice, chairman of Clayton Dubilier & Rice, whose $2.7bn purchase of Riverwood International has been among the biggest recent transactions in the US, says competition for acquisitions is nothing new. Three public companies were among bidders for Riverwood, he says, yet a private investor group led by CD&R prevailed.

Mr James Lee, head of global investment banking at Chase Manhattan, the largest lender on sub-investment grade transactions, adds: "Smart investors over a long period have been able to achieve very high rates of return. I don't see that changing." Mr Lee, like others in the business, points to the process of corporate restructuring under way in the US and, increasingly, internationally, as the main source of transactions to feed the buy-out machine. Companies have been forced to shed badly-performing, or non-core, operations to focus on businesses where they have a competitive advantage.

Also, the opportunities for big, short-term gains still exist, suggesting that the inflation in asset prices generally has still left room for a bargain. Among the most spectacular was Forstmann Little's $700m profit from the sale late last year of Ziff-Davis, a US publisher of computer magazines. That represented a near-50 per cent premium over the price Forstmann had agreed to pay for the group less than a year before.

Increasingly, though, the amount of equity at their disposal has led the US buy-out funds to search for new ways to invest. This has included the development of leveraged build-ups, in which a fund builds a business by buying and merging smaller companies in the same industry. That has given the buy-out specialists a position in a number of consolidating industries, among them insurance.

Also, according to CCD&R, it means being more creative and inventive – being prepared, for example, to form partnerships with other investment groups or companies themselves.

With patience, the huge volume of cash on hand can be invested well, says Mr Lee at Chase. And at this stage at least, there is no sign that the funds are tripping over each other in their haste, says Mr Bransford at Watson Wyatt. The enthusiasm for private equity funds bears little comparison with previous investment manias, like the rush into real estate at the end of the 1980s, he says.

The search for new investments, meanwhile, is also likely to take the US buy-out funds abroad. While KKR already has an office in London, CD&R has been exploring possible investments in Germany through an alliance formed two years ago with Deutsche Bank. Other funds have set their sights on the emerging markets of central and South America, or Asia.

Most new funds include a provision to allow them to invest a proportion of their money overseas, says Mr Lee at Chase. That could be the first sign of a new international presence for US buy-out artists.

■ **France:** by Andrew Jack

The potential is enormous

There is a growing trend among the country's large conglomerates to begin to splinter, creating the scope for MBOs

France remains one of the most important markets in continental Europe for management buy-outs – but it is still a relatively small blip compared to the significance of activity in the UK.

Mr Denis Mortier, head of Financière St Dominique, the specialist development capital group based in Paris and controlled by Crédit National bank, says: "The market in France is strong and is growing." But he stresses that currently the greatest strength in the country lies in the mid-sized deals with demands in the range of FFr200m to FFr1bn, with far fewer small or very large-scale operations.

His business, founded in 1986, has already launched two funds designed to provide financing support for MBOs in France, and is planning to launch a third in the next few months which aims to attract investors from around the world seeking to support deals in companies spread all across Europe.

Not everyone is so positive. Mr Jean Bergeret, head of acquisition finance for continental Europe at Paribas, says there have been only a modest number of deals for more than FFr100m in the past year. "The market was extremely large in the early 1990s. It has progressively decreased since then," he says. He points notably to Italy as a market where he sees greater growth.

The paradox is that the potential in France is enormous. By some measures it is the world's fourth-largest economy, with an industrial base to match that of the UK, and the scope for MBOs should be substantially more than it is at present. Certainly there is a growing trend among the country's large conglomerates to begin to splinter, creating the scope for MBOs. Crédit Lyonnais, the state-owned banking group, is being forced to sell off a number of its non-core activities as part of a FFr135bn restructuring exercise.

The group Chargeurs announced earlier this year its intention to demerge into two separate quoted groups covering its two principal poles of activity: textiles and entertainment.

Suez, the flagship industrial and financial conglomerate, has begun a series of asset disposals, most notably the recently-confirmed sale of a controlling stake in its banking arm Banque Indosuez.

Paribas has announced a FFr15bn asset sell-off programme over the coming three years to allow it to refocus its financial activities and to raise new money to cover its restructuring. It has already begun sales.

Under Mr Serge Tchuruk, its new chairman, Alcatel Alsthom, the telecoms and engineering group, has also begun to re-centre its activities and to sell off non-core businesses such as some of those in the field of publishing.

Politically, there was considerable optimism about an environment more favourable to business following the victory of Jacques Chirac in the presidential election one year ago, replacing the socialist François Mitterrand with the centre-right policies of the Gaullist RPR party.

Certainly, there have been growing signs of support for small and medium-sized business, with Mr Alain Juppé, the prime minister, last November launching a series of measures including tax abatements, reductions on electricity and gas bills, lower interest rates and other forms of financial support.

More generally, a number of the economic indicators are positive. Stock market activity has begun to pick up, with the CAC 40 index of leading quoted companies rallying strongly. In early May, for only the second time in contemporary history, the yield on 10-year French government bonds fell below that of their German counterparts. However, the French economy is sluggish. Estimates have been consistently downgraded, with official projections suggesting growth of little more than 1.3 per cent for the current year.

Mr Bergeret says that investors in MBOs need confidence in future cash flows and profits. So far, the mood remains relatively gloomy among many businesses.

At the same time, the trend towards corporate sell-offs has not always led towards MBOs. Often, businesses have been sold or exchanged between large conglomerates rather than handed to their managers. Those currently in charge are not always those best able to take an entrepreneurial risk.

One factor which has dampened the volume of MBOs in France is the regulatory and fiscal environment. A number of lobbies have called for reforms to the existing system, including the present inheritance taxes. However, the current government has pledged reform to the system of *transmission d'entreprise*, and most financiers say the obstacles are now relatively marginal.

A second and more important factor which has long held back the market for MBOs in France has been a cultural one. It relates to the fear of risk-taking, in a country in which to be salaried and part of a large group has long been important.

Mr Bergeret cites the example of a story he told to one manager of another client, who said he was selling his car and his second home and putting everything he had into a buy-out of a loss-making business he was buying from a US group – and which he has since turned around. The manager replied that he was not willing to take such a risk with his assets. "He didn't have the sheer drive, and even if he had wanted to go ahead with the deal, I don't think I would have worked with him," he says.

A third factor which has held back MBOs in France is the limited scope for subsequent "exits" by managers selling their shares onto the stock market. While the French CAC index has been rallying over the past few months, its performance remains poor in comparison with other exchanges such as London.

Mr Mortier also cites the long-standing French practice of using shareholder of reference, partly reflecting the relatively absence of investors, which makes an exit to the market complicated.

As a result, he says that most of the deals in which he has been involved use a trade sale to allow the managers to sell their shares. He adds that he is currently looking at an alternative in one case: an exit of a French buy-out onto the London stock exchange.

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PROFILE Générale de Service Informatique (GSI)

Telling tale of challenges

The 25-year corporate history of GSI, a French computer services group, is one of the most telling stories in the evolution of the country's system of management buy-outs.

Its development – from origin, through an offer to shares to employees, subsequent negotiations and eventual sell-out – says much about the regulatory changes, cultural challenges and financial obstacles to overcome with buy-outs.

Générale de Service Informatique (GSI) was founded in 1971 by Mr Jacques Raiman. The aim, thrashed out with two former fellow students and friends from the elite French Ecole Polytechnique and its *ponts et chaussées* engineering corps, Mr Georges Pébéreau and Mr Philippe Gluntz, was to provide computer services assistance to businesses.

From the start, GSI developed under the wing of Compagnie Générale d'Electricité, the engineering giant that would later become Alcatel, one of France's foremost telecoms and engineering groups. Mr Pébéreau had become CGE's chairman, and Mr Gluntz would hold a series of senior positions with GSI then CGE.

CGE itself went through a series of important transformations, not least its nationalisation in 1982 under the socialist administration of President François Mitterrand, to which Mr Pébéreau was sympathetic.

Meanwhile, ironically, Mr Edouard Balladur – who would go on to become France's prime minister in 1993 under the centre-right RPR Gaullist party banner and be a presidential candidate in 1995 – became GSI's chairman in 1977.

GSI, according to Mr Gluntz, developed an extremely strong corporate culture with very loyal employees and managers. From the start, they had been promised the prospect of shares and the chance of gaining their independence from CGE. Yet despite the changes at the top of the company and its parent, there was little sign of the pledge being honoured.

All that changed when the political right came to power in the legislative elections of 1986. Mr Balladur left GSI to become minister of economics and finance, and Mr Pébéreau was replaced as chairman of CGE by Mr Pierre Suard, who remained in place until he was placed under investigation by a French magistrate last year.

Mr Suard had a different philosophy, and believed that GSI was no longer a logical part of the group and should be sold off. Its strong internal culture suggested that a buy-out was the best solution.

The conditions were helped by Mr Balladur, who in his new role introduced a law making employee buy-outs feasible by permitting interest payments on the debt in a holding company deductible against profits from its operating subsidiary – the only way to make a deal financially attractive.

In 1987, the buy-out went ahead, and was a huge success. Some 1,500 of the 2,500 staff bought shares. As agreed in the original plan, they resold a substantial minority stake a few weeks later to a series of outside investors, partly to pay down the debt incurred by the deal.

But the group failed to carry out its original plan to seek a listing on the stock market in 1991. The situation of the stock market subsequently began to worsen, making a listing more difficult. So did the financial health of the group, in which profits began to fall. "They mixed their role as shareholders and as managers," says Mr Gluntz.

In 1993, the managers created a complex new legal holding company, permitting them to retain control while selling more shares to outside investors to help with a refinancing. But the situation continued to deteriorate. "At the end, people wanted their money," says Mr Gluntz.

He was invited in March 1995 to take back control of GSI and turn it around. He did so – but at a cost. He launched a restructuring programme, refocused its activities, and arranged the sale of all but a handful of the shares in October last year to ADP, the US data processing giant.

"It was a success in terms of the money for the original shareholders," he says. They received FFr2,300 for each share, against the original cost to them of FFr100. "But the only way to do so was to lose control."

Andrew Jack

TRAVERS SMITH BRAITHWAITE

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Millets	£22 million	Management
Scotland Track Renewals	£15 million	Institution
The Sweater Shop	£150 million	Management
Marlyn Foods	£10 million	Management
Go-Plant	confidential	Institution
Shepperton Studios	£12 million	Management
AIC Conferences	£12 million	Management
Booker Farming	£7 million	Institution
Dewhurst	£17 million	Management
Great Western Trains	£400 million + (franchise payments)	Management

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■ **Germany:** by Laura Covill

Role models needed

Although the MBO business in Germany is growing, it still has not achieved a real breakthrough

Hans Damisch: not encouraged by a recent surge in interest

Economic recession has returned to Germany, and alternative methods of financing are back in demand. This time, the problems facing German commerce and industry are not just the result of a downturn in the business cycle, but have been caused by fundamental structural weaknesses. Restructuring, divestment and focusing on core businesses are now the norm.

As a result, venture capital firms are receiving an unprecedented number of inquiries about possible management buy-outs, from smaller family-owned businesses and from leading corporations.

Yet Mr Hans Damisch, chairman of the German Venture Capital Association (BVK), is not encouraged by this surge in interest. Too often, he argues, an MBO is wrongly regarded as a rescue operation for a business which has ceased to be viable, or as a last resort for proprietors who have failed to sell their company to a trade buyer. Not surprisingly, very few of the German MBO plans proposed by either buyer or seller ever come to fruition.

Mr Damisch feels obliged to remind the business public that MBOs are a vehicle for successful companies, not for corporate failures.

Two large corporations, AEG and Rütgerswerke, have spun off business divisions in the form of MBOs in recent months, but venture capitalists say these two cases were exceptional and not the beginning of a new trend.

Although the MBO business in Germany is growing, it still has not achieved a real breakthrough. There were just 59 deals last year, compared with 44 deals in 1994. Mr Damisch says that MBO activity in Germany has not yet reached the stage where it has generated its own momentum.

3i, the UK-based venture capital firm, has been active in Germany since 1986, but has invested just DM230m in 52 companies, three-quarters of those transactions being MBOs or MBIs. Mr Andrew Richards, managing director, admits that he is disappointed with the slow growth of the venture capital market during those 10 years. "All the prerequisites are there, but they never seem to come together," he says.

In theory at least, Germany has an enormous pool of small and medium-sized companies whose ownership problems could be solved by means of an MBO. According to 3i estimates, there are at least 4,000 medium-sized German companies with a turnover of at least DM20m whose proprietors will wish to hand over control of the company within the next five years. Not all these individuals have children who are willing or qualified to manage the business.

"Given the number of family-owned companies in Germany, the market for MBOs should actually be larger here than in the UK," says Mr Albrecht Hertz-Eichenrode, managing director of the venture capital firm Hannover Finanz, which has financed about 20 MBOs.

Furthermore, no one in the venture capital market doubts that there is sufficient capital available: most of the players are owned by banks.

Even the old gripe about the lack of exit possibilities is not the main difficulty, according to several MBO financiers. It is true that venture capital investors rarely get the opportunity to divest by means of an initial public offering. But the lack of a liquid equities market for small and medium-sized companies has been an issue for so long that investors have developed a range of other exit possibilities, particularly trade sales.

Mr Damisch, who is the managing director of BdW, a venture capital firm owned by Dresdner Bank, says: "We have never turned down an MBO opportunity for fear that the company could not be floated."

According to Mr Damisch, the individualistic nature of many German entrepreneurs is the main reason why these situations do not translate into more MBOs. "The owner of a small or medium-sized business is inclined to do most of the work himself. He personifies the company, and takes on staff who tend to be loyal subordinates, but are not entrepreneurial types themselves."

"Entrepreneurs are still trying to hang on to the company for as long as possible – and leave it too late before they think about a successor," adds Mr Hertz-Eichenrode. "Moreover, neither owners nor managers are acquainted with the idea of an MBO. The concept still has to take root here."

At the same time, Mr Damisch says, there is a relatively small pool of executives who are willing to give up a secure managerial job with its guaranteed income, the accompanying pension rights and other perks, to become entrepreneurs.

And when proprietors do sell to managements, they often try to restrict the manager's freedom to action. Mr Claus Peter, head of the specialised finance division of BHF Bank, has seen MBOs where the manager is obliged to accept the offspring of the original proprietor as sleeping partners "who take no management responsibility, but participate equally in the profit opportunities."

Despite these difficulties, the potential of the MBO market is attracting a growing number of intermediaries. The BVK now has 75 members, led by 3i, Schroders and Alpha Associés, which has just recruited Mr Thomas Schlytter-Henrichsen, previously one of two managing directors at 3i Deutschland.

Most of the other players are owned by banks, which act as their main source of business.

Most MBO deals in Germany are still worth less than DM30m, with transaction sums in excess of DM100m still extremely rare. The largest MBO to date in Germany was the recent takeover of the flooring company Tarkett, which also went public. Mr Peter says he is working on an MBO of a company with annual turnover of DM200m.

All agree that more details like this are needed to establish role models for German industry and executives alike. Only then does the MBO market have a real chance of taking off. Mr Richards of 3i believes that the German market is capable of producing 300 to 400 deals a year.

CASE STUDY **Pagette Sanitär Produktions und Vertriebs**

The sell-off plan was forgotten in the excitement of German unification and the rapid growth of construction in eastern Germany *Picture Tony Andrews*

Frustration led to buy-outs

After more than three years of planning, a management buy-out of Pagette Sanitär Produktions und Vertriebs, a manufacturer of thermoplastic lavatory seats and cisterns, located in the Ruhr, was finally completed in March. Mr Volker Steines and Mr Bernd Steinhöfer believe that they succeeded against the odds. "It was a matter of chance and good luck," Mr Steinhöfer says.

Finding an MBO financier had not been easy, say the company's new owners. Then came a hasty search for new premises and the challenge of winning the trust of the workforce. But the greatest difficulty Mr Steines and Mr Steinhöfer faced was to persuade the management of the Rütgers industrial group to sell an unwanted division to its own sales manager and his predecessor.

Pagette had formed part of the Rüfas building materials subsidiary of the Rütgers group. Back in 1989, Rüfas decided to concentrate on vehicle parts and to sell other activities which no longer fitted in with its new profile.

But the plan was forgotten in the excitement of German unification and the rapid growth of construction in eastern Germany.

Pagette's sales doubled to DM38m by 1994, boosted by new products and improved marketing. Clearly, Rüfas was in no hurry to sell the last of its eight peripheral businesses.

Yet because Pagette was still on the divestment list, the division was deprived of strategic planning and investment, says Mr Steinhöfer. The workforce was used as a pool of spare labour when there were shortages elsewhere in the group. Moreover, Rüfas's "bizarre" internal accounting produced a permanent annual net loss of about DM2m at Pagette, although the operating result remained healthy over the years.

In the end, frustration drove the two partners to consider an MBO. "It was intuition, born out of despair," according to Mr Steinhöfer, 41. "None of my customers liked to do business with Pagette, and some had even banned us from making sales visits. We thought that unless we acted, the division would soon be defunct."

Mr Steines, now 47, had left his position as sales and marketing manager in 1991 and was replaced by Mr Steinhöfer. He returned to Rüfas the following year to propose an MBI. The suggestion was rejected out of hand, he says, "with an absurdly high price".

Rüfas's attitude changed only when a new managing director was appointed last autumn.

Even now, Mr Steinhöfer and Mr Steines remain convinced that Rüfas would have preferred to sell the division to a competitor, or to another industrial group.

"Getting a signature from them was the toughest part of all. We were constantly afraid that another buyer would emerge and sweep us away with a higher offer."

But no counter-offer ever came.

What swung the balance for Rüfas, according to Mr Gisbert Rühl, its new managing director, was that Mr Steines and Mr Steinhöfer had financial backing from a private investor who already owned a company in the same business – Mr Curt Borgenstan of the Johnson Suisse group.

Rüfas's chief concern was to preserve jobs, and Mr Rühl made it a condition that the three new owners should guarantee the jobs of 65 staff for a period of three years and honour their pension rights accumulated over an average of 17 years with the company. The commitment is considerable: total annual wage costs amount to about DM90,000 for each employee. In return, the buyers negotiated a reduced purchase price.

Unlike many German businessmen, the two friends had heard about the technique of management buy-outs, but they nevertheless had little idea of how to find a financier. Talks with the credit division of Johnson Suisse's bank, which happened to be Deutsche Bank, proved fruitless.

A contact in private banking happened to mention a specialised finance division at BHF Bank in Frankfurt, and it was BHF that finally arranged the financing.

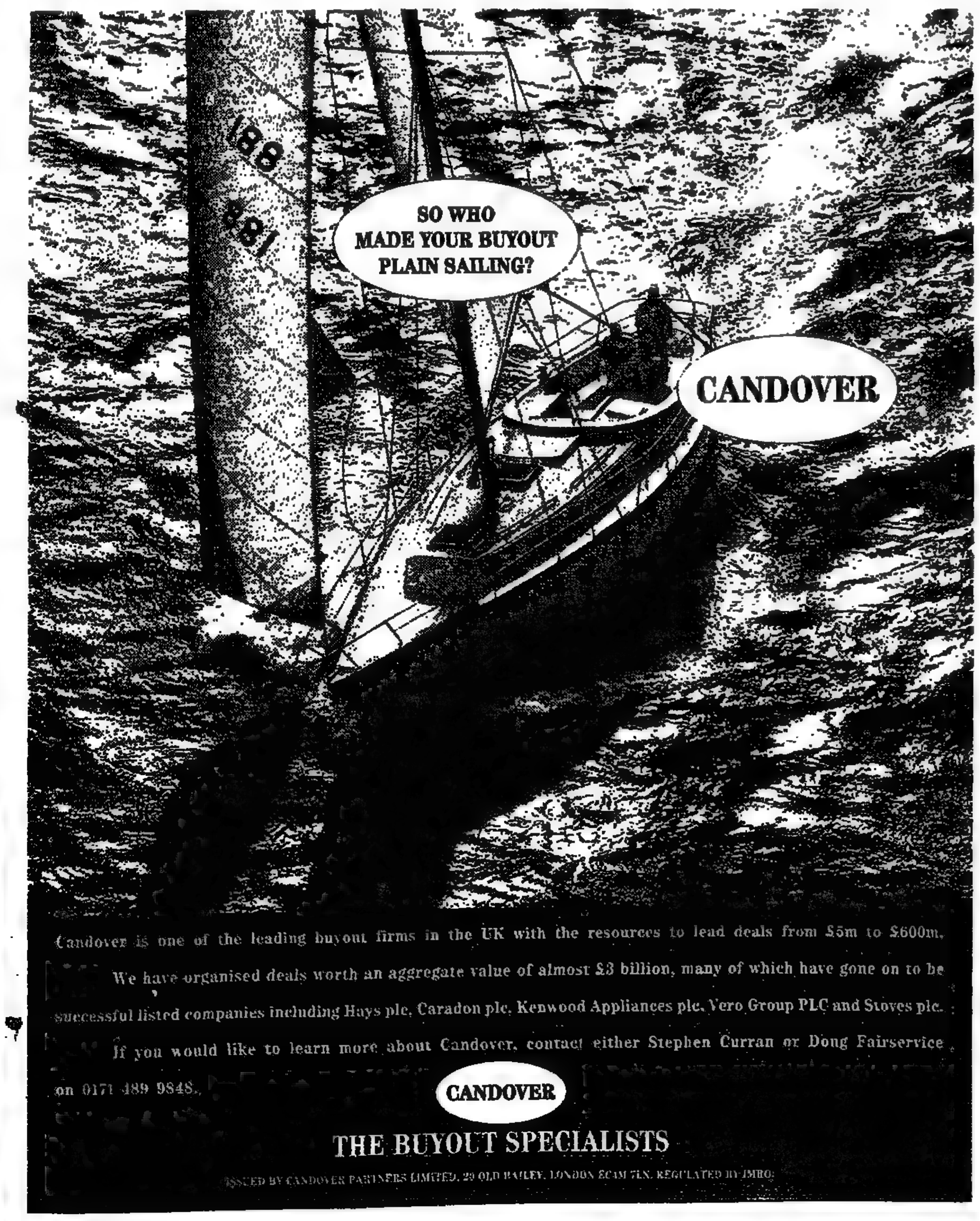
Like many German MBOs, this was not an equity transaction, but a debt deal. Apart from the sum of DM2.4m provided by the three new proprietors, the rest of the undisclosed purchase price was provided by BHF and its financing partners, which now hold a majority stake in the business as security against the loan. If all goes according to plan, the debt, plus interest at variable rates, will be repaid out of operating revenues within five years – at the same time reducing the bank's stake in the company to zero.

Once Rüfas's blessing arrived on November 1, the two managers (Mr Borgensten plays no part in management) had to act quickly to reorganise the company before ownership was transferred on March 31. A move was necessary, since Rüfas wanted to close down its old premises in Essen.

Although the economic situation in the Ruhr is difficult, the search for suitable premises took until February. Finally, a suitable production site with a small office building was located in nearby Bottrop and the move was accomplished in several stages during three weeks in March.

Mr Steines and Mr Steinhöfer are now working to ensure that the move and the change of ownership do not interrupt their production and sales schedule. "If you leave this business even for a short time, the competition will destroy you. The market is very tough."

Laura Covill



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■ **Alternative markets:** by Christopher Price

LSE sets the pace

There are currently 140 companies listed on Aim, with a combined market capitalisation of more than £2.5bn

Private companies seeking alternatives to a trade sale to realise their value have never had it so good. The number of exchanges seeking members is set to more than double in the next two years, while admission regulations are being increasingly relaxed.

First off the block has been the London Stock Exchange. Anxious to head off the threat of European competition, it launched the Alternative Investment Market last June, aimed at smaller and growing companies.

In order to give the new market a good start, the stock exchange announced the closure of the 4.2 trading facility, which had been used by more than 300 companies as a means both of trading shares and, to a limited extent, raising funds, but without the cost of a full listing.

The strategy was successful in persuading about 100 former 4.2 companies to transfer to Aim, attracted by less onerous admission requirements than the main list - and the lower cost. A transfer costs as little as £10,000, against 10 times that amount for the main list.

Unlike the main market, Aim imposes no minimum on the percentage of shares in public hands; no minimum market value; and no minimum trading record. Most controversially, new companies on Aim do not need a sponsor - normally a stockbroker or merchant bank which scrutinises the accounts and prospectus on behalf of potential investors. The stock exchange, which will not inspect a candidate's prospectus either, has handed the job of policing to nominated advisers. These are vetted by the stock exchange and take on the role of making sure companies stick to the rules.

There are currently 140 companies listed on Aim, with a combined market capitalisation of more than £2.5bn. The market has traded more than 2bn shares since its launch, equating to more than £692m. More than £243m of new equity capital has been raised by Aim companies.

The second strand of the LSE's strategy is likely to provide a further boost to the new junior market when the Unlisted Securities Market is terminated at the end of this year. There are more than 200 USM companies and the stock exchange has stopped any new entrants. However, many of its members are expected to step up to the main list rather than move over to Aim.

While the closure of the USM will cut off one avenue for MBOs, the LSE considers Aim to be so established that it, or the main list, will fulfil all trading and capital-raising requirements.

However, this has not prevented the emergence of a further avenue for flotations - Ofex, an unregulated and unofficial market instigated by JP Jenkins, a London marketmaking firm. Jenkins stepped in to plug the gap between those 4.2 companies which did not wish to transfer either to Aim or the main list and which wanted a facility to trade shares. These included the giant family-owned cereal group Weetabix, and the National Parking Corporation.

While serving as a home for about 80 refugees from 4.2, Ofex has increasingly been attracting flotations of its own, with the equity capital being raised on a near-regular basis. Jenkins is using its electronic small company news service, Newstrack, as the basis for the system.

Companies pay £2,000 a year to be on Newstrack, which runs on three of the City of London's main financial news services and acts as a noticeboard for news, such as results and trading statements.

However, the fact that the market is not regulated by the LSE - and many of its stocks are tightly traded - has meant that many mainstream institutions are unlikely to be regularly involved.

Other competitors to the LSE are gathering on the horizon. Easdaq, a pan-European exchange, has announced its intention to begin trading in September. It is modelling itself on Nasdaq, the US exchange, and likewise hopes to attract the attention of companies in high-technology industries.

The exchange will be based in Brussels but traded electronically across Europe. It expects to list about 20 companies when it opens, many of them dual listings with Nasdaq, and to add 20-30 more in its first year. The target is to trade the shares of 500 companies on Easdaq within five years, with an emphasis on information technology, biotechnology and other fast-growing fields. Joining costs would be in the region of 5 to 7 per cent of the floatation valuation.

Another European competitor to emerge is the Nouveau Marche, which began trading in February and has attracted three companies. The Paris-based market aims to provide financing for small capitalisation companies while generating enough liquidity to attract a broad range of investors.

In France, it is designed to offset the weakness of the venture capital and small business sector, which has suffered from the lack of powerful pension funds able to provide capital and a cautious stance by banks.

Under the rules of the new market, companies applying to be listed on the exchange can be from France or other countries and will be vetted by a 10-member advisory committee. The companies must have total assets of about £3m and minimum shareholders' equity of £1m. The number of shares available to the public must be a minimum of 100,000 and the float must be at least £1.5m.

Founders and managers with shareholdings must retain 80 per cent of their investment at the time of introduction to the market, for a period of three years.

A German version - the Neuer Market - linked to the Frankfurt market, is scheduled for start-up in 1997, with a Brussels version also planned. A link-up between the three could follow.

If this were not enough, the development of new electronic exchanges, such as Tradepoint, and on the Internet, are likely to offer further ways for companies to attract investors.

PROFILE Lowe Alpine

Buy-out team scales new heights

The name on the backpack in front of you is increasingly likely to be Lowe Alpine. The sports leisurewear group has seen its sales grow by 50 per cent in the past three years as it has successfully reorganised and exploited the growing popularity of outdoor pursuits.

The humble backpack helped launch the company which was founded in the 1970s by the Lowe brothers - two famous US mountaineers who had developed a revolutionary design for the serious walker and climbers' favourite carrying case.

By the late 1980s, the company had sprawled into three separate divisions in as many countries and was producing a wide range of outdoor clothing and products. It had also become part of the Famco business empire, owner of Silent Night beds, which was beginning to attempt to restructure the business into a more manageable organisation.

However, its efforts were short-lived and in 1993 the management of Lowe Alpine began to discuss a buy-out. Several venture capitalists were approached by CFI, an Irish financial boutique, with Phildrew being chosen to lead the move.

"Although the group was in three divisions, we did see tremendous benefits and potential if we could bring them together and make them work together," says Mr Robert Jenkins, a partner at Phildrew.

The £13m buy-out of 1993 was led by Mr Andrew Williamson, chief executive. Phildrew also brought in Mr Richard Raworth, who is chairman of Prontaprint, as non-executive chairman.

"We felt the business needed to benefit from the experience of an outside businessman of some standing," says Mr Jenkins.

Mr Jenkins outlines three criteria which attracted Phildrew to Lowe Alpine:

- The market for outdoor recreational products was growing strongly;
- There was tremendous scope perceived for managing the business as a group rather than as three separate companies; and
- Lowe Alpine was seen as an innovative design leader and had several products, particularly its waterproof outwear, considered to hold great potential and be set for strong growth.

Lowe Alpine has successfully reorganised and has exploited the growing popularity of outdoor pursuits *Picture: Jess Stock - Stock Shot*

Mr Raworth identified other attractions on his arrival at the company. For example, Lowe Alpine had a strong brand abroad, which was not being sufficiently exploited. Its presence in the UK was less visible, and here again presented enormous potential. Finally, the company differed from many other outdoor leisure groups in that it was not run by enthusiasts, but as a professional business.

The three companies, the manufacturing arm operating in the US and Ireland, and an importing division in the UK, were being run as separate companies. "They even considered themselves as competitors to each other," says Mr Raworth.

After the buy-out, a reorganisation was undertaken which brought the three divisions closer together, producing cost savings as well as synergies. The Lowe Alpine brand was supported and promoted, particularly in continental Europe. "The important sense I have tried to instill is that Lowe Alpine is our birthright," says Mr Raworth.

Lowe has also consolidated the distribution of other branded products and is now the distributor of virtually all of Benetton Sportsystem products, including Prince racquets and Rollerblades.

Expansion has followed, with European sales targeted in particular. "We aim to be number one in Europe," says Mr Raworth. The company has already bought out its French and German distributors, and more could follow.

Operating profits have grown from £1m in 1993 to £3m last year. Turnover in that period has grown from £20m to £30m.

One of the strengths of the business has been in the development of the Triple Point fabric which has become the main competitor to Goretex, the leading outdoor material. However, Mr Raworth claims that Triple Point is both cheaper and, in some cases, more durable than its rival. "It has given us an edge," says Mr Raworth.

Phildrew has been drawing dividends on preference shares it has issued as part of the buy-out. It has also brought in two other venture capitalist investors for smaller minority stakes.

Mr Jenkins says Phildrew sees the company developing further for "several years" yet before wanting to exit. A flotation would be one avenue, but a trade sale would also be considered. "Where we can, we will back the management's strategy on this," says Mr Jenkins.

Christopher Price

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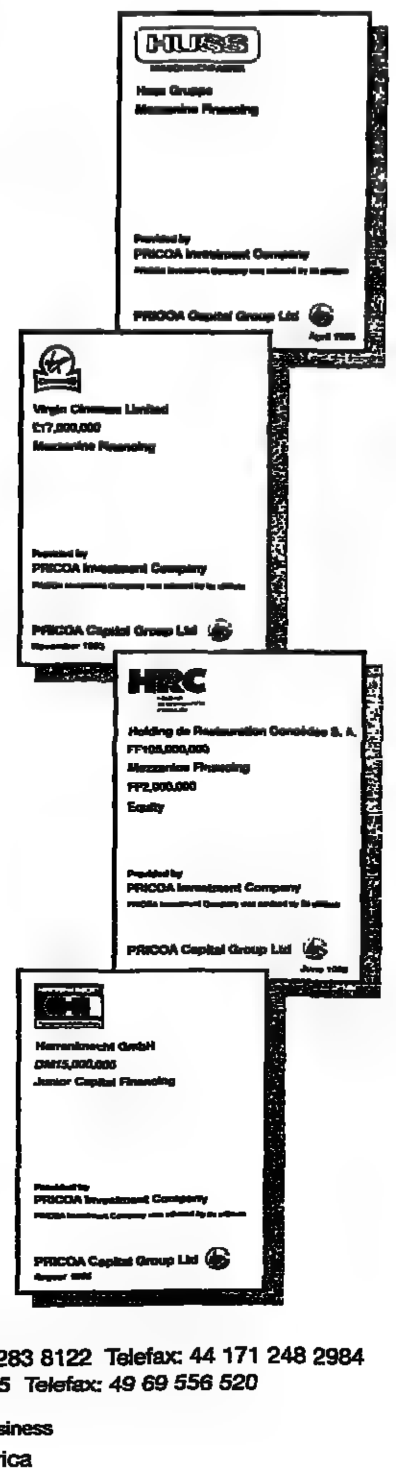

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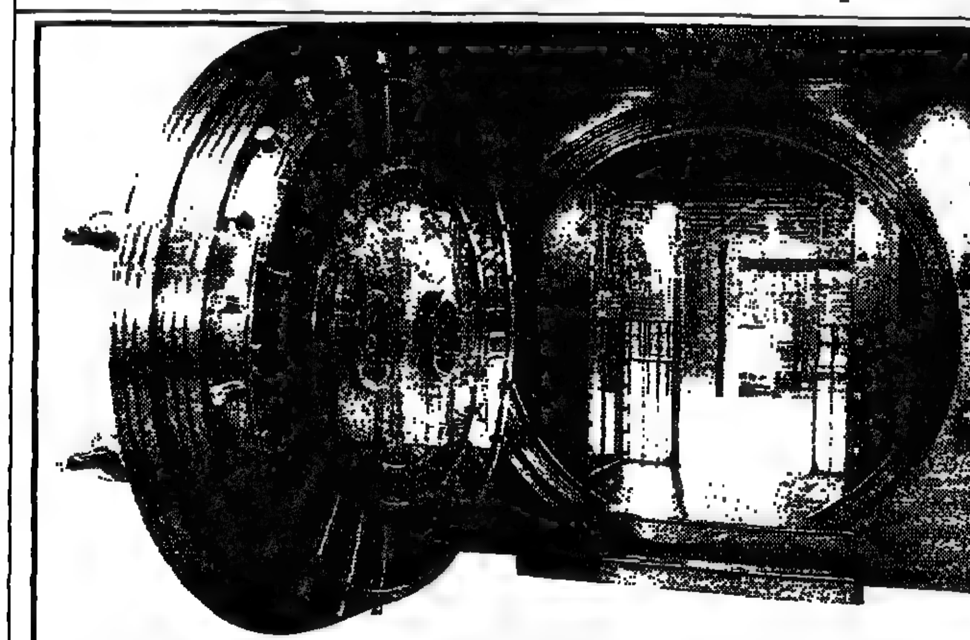

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IN BRIEF

Stock split lifts Chrysler shares

Shares in Chrysler, the US car manufacturer, jumped on news of a two-for-one common stock split and a 10 cents a share increase in the company's pre-split common stock dividend. The group's shares rose $1⅞ to $66⅞ in early trading. Chrysler has raised its dividend six times, a 360 per cent increase, since October 1993. Page 24

Tabacalera stubs out smuggling
A clampdown on cigarette smuggling into Spain helped the state-controlled Tabacalera group to a 30 per cent growth in consolidated first-quarter pre-tax profits to Pta5.43bn ($42.4m). Page 22

Deutsche Telekom in Malaysia talks
Technology Resources Industries, operator of Malaysia's leading mobile telephone service, is in talks to sell a minority stake to Deutsche Telekom. The deal could allow the state-owned German company, scheduled to be privatised this year, an involvement in developing the Malaysian market for basic telephony. Page 22

Edper returns to equity markets
Edper Group, the main holding company of the resources and financial services conglomerate formerly controlled by Toronto's Bronfman family, has made its first foray into equity markets in several years. It has raised C$170m (US$125m) from an issue of 7 per cent, 10-year subordinate convertible debentures. Page 24

Japan's brokers back in the black
Japan's leading stockbrokers returned to the black in the year to the end of March. But with the outlook for the whole securities sector still far from certain, none of them expects a similarly strong improvement in the year ahead. Tokumora puts Nomura's UK arm on track, Page 25

Record annual profits at Kyocera
Kyocera, the Japanese electronic components, communications equipment and fine ceramic parts group, posted record group sales and profits for the year to March 31. Demand for its products was fuelled by strong growth in Japan's cellular communications market and by PC markets. Page 26

BTR shares slide after warning
A profits warning at BTR sent the UK industrial manufacturing group's shares tumbling in London. The stock fell almost 6 per cent after BTR revealed trading difficulties in its polymer and automotive operations. It said problems at its Taiwanese polymer plant and high start-up costs in its automotive sealings business would dent its first-half performance, with operating profits failing to match the £750m ($1.1bn) reported last year. BTR shares fell 14p to 297p as more than 21m shares changed hands. Page 27

National Power in $1.5bn handout
National Power is expected on Monday to announce plans to return more than £1bn ($1.51bn) to its shareholders through a special dividend and a large annual dividend increase. It is likely to be the largest payout to shareholders by a UK company, comparable only to the £1bn special dividend TSB paid to shareholders in November prior to its merger with Lloyds Bank. Page 27

Companies in this issue

Market Statistics

Chief price changes yesterday

NEW YORK ($)			
Rises			
Chase Brass	20	+	2
Diana Corp	78¾	+	6¼
Glen Well	25¼	+	2
Keithley Inst	16¾	+	1⅜
Falls			
Coram Health	4¼	–	2⅛
Lakehead Pipe	23⅞	–	¼
LONDON (Pence)			
Rises			
Central Trans	14½	+	3½
Farringford	18	+	3
Hambro Countrywide	65½	+	5½
Inspirations	138	+	11
Ockham	73	+	11
Falls			
Avis	135	–	14½
TORONTO (C$)			
Rises			
Atm Safety	10.00	+	1.05
Cumberland Res	8.35	+	1.00
Mentor Exp	16.00	+	1.00
Falls			
First Dynasty	8.55	–	2.20
Liberian Iron	4.30	–	2.45
Spar Aerospace	12.50	–	5.25
TOKYO (Yen)			
Rises			
Amano Corp	1480	+	50
Daikyo	812	+	27
Tokyu	838	+	45
Tonen	1550	+	50
Falls			
Daiwa Sec	1510	–	30
Yamaha Motor	1100	–	20
HONG KONG (HK$)			
Rises			
Midland Realty	3.85	+	0.125
Orient Telecom	3.65	+	0.25
Pacific Andes	1.50	+	0.10
Falls			
Cosco Pacific	4.875	–	0.225
FE Aluminium	0.59	–	0.17
Goldlion	6.15	–	0.20
BANGKOK (Baht)			
Rises			
Goodyear	208.00	+	18.00
SK Garment	26.75	+	2.25
Union Pioneer	23.00	+	2.00
Falls			
Nat. Finance	107.00	–	11.00
PCM Precast	84.00	–	9.00
Telecom Asia	60.50	–	6.50

New York & Toronto prices at 12.30. Paris & Frankfurt closed.

HP disappoints in second quarter

By Louise Kehoe in San Francisco

Hewlett-Packard, for many years a Wall Street favourite, saw its share price fall sharply yesterday when the computer and electronics group reported lower than expected quarterly earnings.

Although net income for the second fiscal quarter, ended April 30, was up 25 per cent at $723m, or $1.37 a share, financial analysts were not impressed. They had been projecting earnings of around $1.45 a share. In the same period last year HP reported net income of $577m or $1.10 a share.

HP's share price dropped 9 per cent to a low of $103, down $10⅝ from Wednesday's close of $113⅝, before picking up to trade at $106¼ in mid session.

"Our results were excellent in many respects this quarter," said Mr Lew Platt, HP chairman and chief executive, "but we didn't quite match last quarter's high level of profitability."

Net revenue for the quarter grew 33 per cent to $9.9bn, from $7.4bn in the same period last year. US revenues jumped 39 per cent to $4.4bn, while revenues from outside the US increased 28 per cent to $5.5bn.

Demand was very strong for most of HP's computer products, Mr Platt said, with orders up 29 per cent over the year ago period, at $8.4bn. However, weakness in the company's disk drive business and a decline in demand for computer workstations had a negative impact on earnings growth. HP is scheduled to launch a range of workstations next month and demand for current products had dropped in anticipation of the new models.

Orders for components also declined as customers moved to reduce stocks, HP said. In all other computer product segments, including personal computers, printers and servers, HP reported vigorous growth and gains in market share.

In the electronic instruments sector orders were up 10 per cent at $939m, while medical products orders grew 6 per cent to $347m.

"We believe our growth rates in many parts of the company are outpacing overall market growth, despite intense competition," said Mr Platt. But order growth was "not as well-balanced across the company as it has been," he acknowledged.

HP would focus on improving the performance of parts of its business that have been sluggish and continue to look for ways to contain operating expense growth in segments of the business where gross margins were under pressure, he said.

For the fiscal year to date, HP reported net earnings of $1.5bn, up 25 per cent from $1.2bn in the first half of 1995. Net earnings per share rose 28 per cent to $2.87. Net revenue for the half year was $19.2bn, up 30 per cent.

PepsiCo to feel force of Star Wars

By Alice Rawsthorn in London

PepsiCo, the US food and drinks group, has acquired exclusive promotional rights to the *Star Wars* film series in a worldwide deal which could be worth up to $2bn in terms of advertising investment and merchandise sales.

The agreement, clinched with Lucasfilm, the Californian entertainment software company run by Mr George Lucas, director of the *Star Wars* movies, forms part of a trend for film makers to offset escalating marketing budgets by joining forces with promotional partners from other industries.

Walt Disney is reportedly in talks with McDonald's, the fast food chain, over a similar $2bn 10-year agreement. Until recently, entertainment groups negotiated such deals on an ad hoc basis, as MGM/UA did for *GoldenEye*, the latest James Bond movie, which received $50m of promotional backing from other companies, including $15m from BMW cars.

The *Star Wars* deal is the most valuable promotional agreement in the entertainment industry to date. It also marks the first time that all PepsiCo's international interests – which include Pepsi-Cola drinks and Frito-Lay snacks together with the Pizza Hut and Taco Bell fast food chains – have participated in the same marketing initiative.

The agreement will come into force next February when the three existing *Star Wars* films – *Star Wars, The Empire Strikes Back* and *Return of the Jedi* – are re-released in a *Star Wars Trilogy Special Edition* with additional footage, enhanced special effects and digitally remastered soundtracks.

PepsiCo will then introduce products and promotions using the *Star Wars* characters for all its brands and restaurants, staging advertising campaigns to publicise the films and its own related activities.

The promotions will continue with the release of *Star Wars* films based on earlier books in the *Star Wars* series. Lucasfilm is in pre-production of the first of these and expects to start principal photography next year.

Star Wars is by far the most successful film series ever. All three films are among the 10 highest earners at the US box office, and have made substantial additional revenues from video cassettes, toys and video games.

Lucas heads fly to US for talks on Varity merger

By Tim Burt in London

Lucas Industries, the UK automotive components group, yesterday dispatched its chairman and chief executive to New York to clarify the terms of a proposed £3bn ($4.6bn) merger with Varity Corporation of the US.

Sir Brian Pearse and Mr George Simpson, chairman and chief executive, are expected to meet their Varity counterparts today in an attempt to thrash out the share split and detailed valuations of the two businesses.

Executives from both companies have reached tentative agreement on combining Lucas's brakes business with Kelsey-Hayes, Varity's braking subsidiary. But they have not yet settled the ownership structure of the enlarged group.

The Lucas team was yesterday said to favour a share split giving its shareholders slightly more than 60 per cent of the enlarged company.

Mr Victor Rice, the British-born chairman and chief executive of Varity, has not yet responded to the informal proposal despite several meetings with Lucas in London this week.

Differences have been resolved on how to integrate some manufacturing operations – which would make the group one of the world's largest brakes suppliers.

Although advisers on both sides have warned that it could be several weeks before an agreement is reached – if at all – an outline deal could be presented to a Lucas board meeting scheduled for next Friday.

"The talks are going reasonably well and the due diligence has not uncovered any problems," said one adviser. "Both sides remain optimistic and we have accelerated the pace of discussions."

The two sides have agreed prospective board positions. Mr Rice has been pencilled in as chief executive following Mr Simpson's departure later this year for GEC of the UK, where he is to succeed Lord Weinstock. Sir Brian Pearse would chair the enlarged company.

Negotiators have also ruled out the disposal of Lucas's aerospace arm in the event of a merger. Lucas had been widely expected to sell the business to help fund expansion in the automotive industry.

Goldman Sachs is advising Lucas, while Varity has hired Lazard Brothers.

BA faces turbulence in aviation market, writes **Michael Skapinker**

Airline charts new approach to stay on course

A year ago, British Airways congratulated its various departments for cutting costs by £160m ($242m). This month, Mr John Patterson, BA's strategy director, told them they had to cut far more.

Over the past five years, he told BA News, the in-house newspaper, the airline had been successful in cutting costs during a period which included the Gulf war and a severe industry recession.

"We now have to adopt a different approach," he said. "This time the size of the problem is greater and we will have to look at step changes which will provide the action plan to address the profitability challenge."

To many staff, this must have seemed an over-reaction. BA's aircraft have never been as full. In the six months to September last year, BA's passenger load factor, or aircraft occupancy, was a record 78.9 per cent. The number of high-paying passengers – in first and business class and on Concorde – rose 10 per cent.

The group's shares outperformed the FT-100 index throughout 1995. They began 1996 at 466p and closed yesterday at 539p.

Next Monday the airline is expected to announce full-year profits of £570m for the year to March 31, an increase of 74 per cent on 1994-95.

The reality, however, is that Mr Robert Ayling, BA's new chief executive, has to deal with an aviation market that is more competitive than it has ever been.

Liberalisation in Europe and on the North Atlantic routes is increasing price competition. A powerful alliance between United Airlines of the US and Lufthansa of Germany is challenging BA's dominance in Europe.

Monday's figures – while confirming BA's status as one of the world's most consistently profitable airlines – will not be quite as impressive as they seem. Pre-tax profits of £327m in 1994-95 were depressed by a £125m write-down of BA's investment in USAir, in which it has a 24.6 per cent stake.

Measured against profit before provisions, this year's expected results will represent an increase of 26 per cent over 1994-95. This compares with a rise of 61 per cent in last year's profits, before the provision, over 1993-94.

And while aircraft are full, fares are unlikely to rise in the long term. American Express says that European air fares in the first quarter of this year were up 5 per cent over the same period in 1995. This is likely to provide BA with no more than a temporary respite.

The long-term trend shows that air fares have fallen for decades and are likely to continue to do so. Boeing of the US, the world's biggest aircraft maker, says that passenger yields – the revenue an airline receives for each mile it carries a customer – have fallen throughout the jet age. They fell by 3 per cent a year throughout the 1960s. In recent years, the fall has been less steep, at a little over 1 per cent, but Boeing expects this rate of decline to continue over the next 15 years.

Yields are falling because long-haul travel, for which passengers pay less per mile, is growing faster than short-haul. Business travel is also growing less slowly than leisure travel, for which fares are lower.

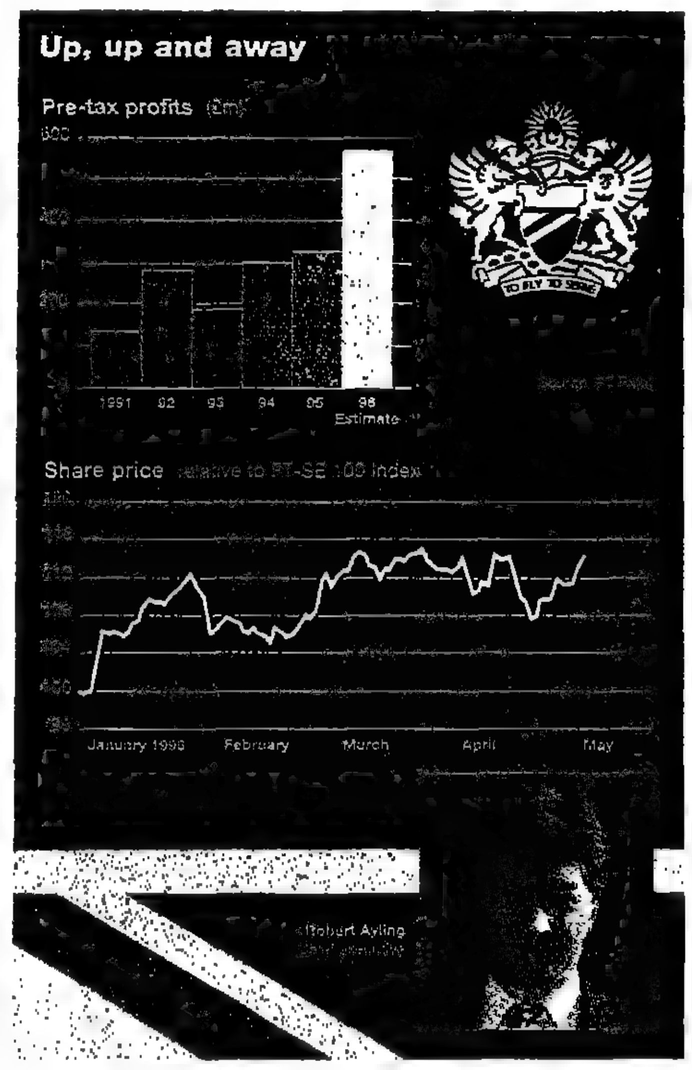
BA cites other factors which will make life harder. The first is that new computer technology will give passengers greater freedom to shop around for cheaper fares. A second factor is the impact of liberalisation and the growth of airline alliances.

The European Union aviation market becomes fully liberalised from April next year, when airlines from one member state will be able to operate domestic services in other EU countries. BA has been ahead of its competitors in taking advantage of this liberalisation, taking stakes of just under 50 per cent in Deutsche BA and TAT European Airlines of France.

These operations have yet to show a profit. While they have made some inroads into domestic markets, they face fierce competition from national carriers and, increasingly, from low-cost start-up airlines.

The alliance between Lufthansa and United will take another step forward next week when the two carriers are expected to receive antitrust immunity from the US government. This means they will be able to co-ordinate their schedules, sales and marketing more closely, giving their customers access to the US domestic market and Lufthansa's international network.

While BA says it has benefited from its link with USAir, the US carrier is still struggling to bring its costs down. Analysts have speculated on two more attractive partners for BA: KLM of the Netherlands and American Airlines.



Mr Christopher Tarry, aviation analyst at Kleinwort Benson, says any link between BA and KLM will probably have to wait until the Dutch airline has resolved its problems with Northwest Airlines, the US carrier. KLM and Northwest were once seen as the most successful transatlantic partnership but are now embroiled in a legal dispute.

American, which does not have a European partner, has been linked to BA in industry gossip for years. Concluding an agreement would face several problems, however. The US government is likely to block any such deal until the UK agrees to renegotiate the aviation agreement between the two countries, which limits US carriers' access to London's Heathrow airport.

Hanson to divide £3.6bn debt between demerged companies

By Tim Burt in London

Hanson, the industrial conglomerate, yesterday unveiled plans to divide up to £3.6bn ($5.5bn) of debt between the four new companies proposed under its forthcoming demerger.

The company said most of the debt would be allocated to its chemical division – to be renamed Millennium Chemicals – which will begin trading as independent company in the US this autumn.

Millennium is likely to assume up to £1.4bn of debt; while Imperial Tobacco and the energy business, including the Eastern regional electricity company, have been allocated £1bn-£1.2bn of borrowings.

The remaining building products and equipment division, retaining the Hanson name, will be left with only £100m-£200m of debt.

The demerger is expected to be completed within nine months, with Millennium and Imperial Tobacco demerging on October 1, and the energy business floating off by February next year.

Mr Derek Bonham, chief executive, said the debt allocation would not hamper plans by any of the new companies to return to the acquisition trail or invest in new facilities.

Although last year's £2.5bn acquisition of Eastern had pushed net debts up to £4.97bn, Mr Bonham predicted that figure would fall sharply following the completion of Hanson's recent £2bn disposal programme.

"All four the new groups are faced with a wide range of investment opportunities. We have arranged £4.5bn of new bank facilities to help that process."

Of the five-year syndicated bank facilities, Millennium is to receive £1.5bn; Imperial Tobacco £1.25bn; Energy £1bn; and Hanson £750m.

The new chief executives of Millennium and Imperial Tobacco – Mr Bill Landuyt and Mr Gareth Davis respectively – vowed to use the funds for an international expansion drive. Mr Landuyt said: "We are going to be very aggressive on the acquisition front, especially in speciality chemicals."

He was speaking as the group reported pre-tax profits of £794m from £623m on sales of £6.19bn, compared with £5.87bn, in the six months to March 31.

Although profits rose only modestly at Imperial Tobacco and fell slightly in the building materials division, Mr Bonham said all four businesses "had excellent prospects for growing profits and long term cash flow".

He also told shareholders that Hanson expected the dividend distribution in each company to be tax free to investors in Britain and the US.

Following yesterday's first-half figures, it promised a quarterly dividend of 3p a share. Earnings per share rose from 9p to 10.3p.

Lex, Page 20; Fulfilled by Eastern promise, Page 28

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Clampdown on contraband helps lift Tabacalera

By David White in Madrid

A clampdown on cigarette-smuggling into Spain helped the state-controlled Tabacalera group to achieve a 30 per cent growth in consolidated pre-tax profits in the first quarter, to Pta5.43bn ($42.4m).

At parent-company level, Tabacalera, which is 52 per cent state-owned and a candidate for further privatisation under Spain's new centre-right government, posted a 27 per cent increase to Pta4.39bn, based on a 17 per cent rise in net sales to Pta145.46bn.

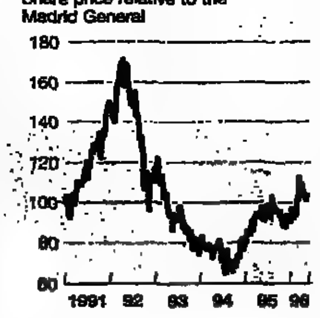
Mr Calixto Rios, finance director, said it appeared the fight against contraband had finally brought results. This largely involves US brands such as Marlboro and Winston, sold on the black market more cheaply than the Spanish-made, tax-paid versions of the same brands.

Tabacalera saw its sales of top-of-the-range blond cigarettes jump by more than 41 per cent in the first quarter compared with the same period last year. This led to an overall 14 per cent growth in the volume of cigarette sales and improvement in the sales mix, with a shift towards higher-price brands with larger profit margins. Sales of cheaper dark-tobacco cigarettes, in contrast, fell 2 per cent.

Mr Rios said the sales increase between the two first quarters also reflected a depressed volume early last year – the result of high stocks which were built up at the end of 1994 ahead of a tax increase. He warned the growth rate was unlikely to be reflected in the remainder of the year.

Tabacalera

Share price relative to the Madrid General



Source: FT Extel

At group level, the turnover figures showed a more moderate increase of just under 12 per cent, to Pta150.27bn.

Mr Rios said a cost-reduction plan launched two years ago was bearing fruit. The workforce, currently around 6,700, had been cut by 1,350 over the period. At the same time the company had raised its spending on promoting new products.

The company has been one of the strongest performers on the Madrid stock market this year and is proposing a supplementary gross dividend of Pta90 a share, bringing the total for 1995 to Pta160, an increase of 10.3 per cent.

The new government is expected to appoint a new chairman to replace Mr Pedro Pérez, a Socialist appointee and former state secretary. The company has an effective monopoly on distribution of tobacco products in Spain and a dominant position in manufacturing.

Dornier falls victim to a clash of relationships

The German aircraft maker's founding family has fallen out with Dasa, writes Michael Lindemann

The management of Daimler-Benz Aerospace, or Dasa as it is better known, must have been praying that it would not come to this. Their best efforts have been left unrewarded, however.

Selling Dornier, the regional turboprop aircraft manufacturer which belongs to Dasa, is difficult enough given that the worldwide market for such aircraft is, as one London-based aerospace analyst put it, "grotesquely oversupplied".

But the Dasa management had at least been hoping that the sale of Dornier, which is at present being negotiated with Fairchild Aircraft, the US maker of turboprops, would have gone ahead as quietly as possible. The group certainly hoped the disposal would not be turned into a public mud-slinging match between Dasa and the Dornier family, which retains a stake in the company.

That is precisely what has happened, however. In an outburst carefully planned to ensure maximum damage to Dasa and cast uncertainty over talks about a Dornier sale, Mrs Martine Dornier-Tiefenthaler, who represents part of the family, turned on the Dasa management at the Berlin air show this week. She told them, in no uncertain terms, that they could not sell Dornier without the family's consent.

Few relationships in corporate Germany are as complicated as that between Dasa and the Dornier family.

Mrs Dornier-Tiefenthaler earned herself a formidable reputation when Daimler-Benz decided it wanted to buy Dornier in the late 1980s. In marathon negotiations, she forced Mr Edzard Reuter, then Daimler-Benz chief, to make concessions which, in the words of one German observer, "a normal manager would not have permitted in his worst nightmares".

Those concessions include a 15 per cent return on equity for the Dornier family, regardless of how the company fares. Given that Dornier's aircraft-making operations lost DM499m ($325.27m) last year on sales of DM990m, Dasa must be hurting more than Mr Reuter could ever have imagined.

Just how soon Dornier would be sold was decided last month when a big US order for turboprops went not to the Dornier 328 but to the Saab 340 made by the Swedish group.

Even so, the order would not necessarily have been all good news, according to German aerospace executives.

Had the US deal gone through, the management board of Daimler-Benz would have had to commit itself to investing in a bigger, 50-seater version of the Do 328. Given that Dasa lost DM4.18bn last year and had already withdrawn from bidding for Fokker, the Dutch aircraft maker, that was not an option, executives said.

Two questions must now to be answered. Will a potential buyer, Fairchild or otherwise, agree to this "crazy" contract with the Dornier family, as one aerospace executive described it, and can the family veto a sale?

Following her outburst this week, Mrs Dornier-Tiefenthaler said the family shareholders would meet later this month. Until then, she said, the subject should not be discussed in public.

There is a good deal of confusion as a result. Dasa says the Dornier heirs own a 47 per cent stake in Dornier, but have only 20 per cent of the voting shares. Since completing the Dornier purchase in 1988, Dasa has always been able to force through its decisions even if they have involved expensive litigation between the company and the family, Dasa said.

Much, however, centres on the will of Claudius Dornier, the man who founded the company in 1914 and died in 1969. The will obliges the family to ensure that Dornier continues making aircraft under the family name.

Since Dasa took over the company in 1988, neither of these elements of the will have been altered. Now that the company is set to pass into different hands, the showdown between Dasa and the Dornier family is likely to become much more vicious.

Dasa, meanwhile, admits that it is doing everything to make a Dornier deal "as attractive as possible" for any potential buyer – but that may only be half the tale. German newspapers have reported that Dasa would be ready to give Fairchild DM500m if the Texas-based company took Dornier off its hands.

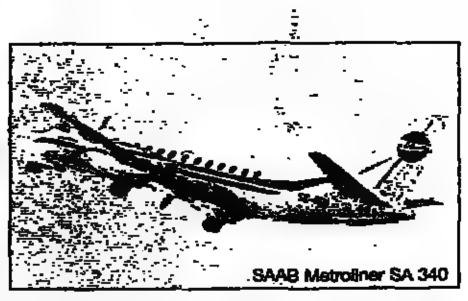
According to some estimates Dornier needs to sell the Do 328 for about DM20m to make any profits. However, the aircraft has a list price of DM9m and industry executives estimate it is being sold at DM7.5m, given the strong international competition.

On top of the Dasa sweetener, the Bonn government is likely to waive a DM200m loan given to Dornier to develop the Do 328, a 33-seater which complements the older Do 228 19-seater, officials say.

In return, a potential buyer, Fairchild or otherwise, would have to guarantee to maintain Dornier's operations and about 2,500 jobs at Oberpfaffenhofen, outside Munich.

Dasa's aerospace angst

Dornier DO 328



SAAB Metroliner SA 340

Daimler-Benz aerospace portfolio earnings before interest and tax (DMm)

	1994e	1995e	1996e	1997e
Airbus	-18	-1,100	-250	200
MTU (1)	-190	-120	-100	-50
DASA	-590	-200	-180	-80
Dornier	-21	-180	-160	-60
Fokker	-622	-3,300	-	-
Eurocopter	-45	-20	0	30
Temic	-20	-	-	-
Consolidated/eliminated	+644	+520	+190	+30
Total EBIT	-736	-4,400	-500	70
Adjusted operating profit (2)	+271	+100	+200	+330
Dasa operating profit	-465(3)	-4,300	-300	400

(1) From 1995 onwards only MTU Munchen (2) Mainly results of Airbus Industrie Toulouse (3) Sale of technical know-how Fokker

Source: Oppenheim Finanzanalyse

Alcoa to take over venture in Hungary

By Virginia Marsh in Budapest

APV, Hungary's state privatisation agency, said yesterday it had approved the sale of the state's remaining 49.9 per cent stake in a local aluminium joint venture to Aluminum Company of America (Alcoa), its majority owner.

Alcoa, the world's largest aluminium company, is to pay Hungalu, the former state aluminium monopoly, $25m for its minority stake in Alcoa-Kofem, a joint venture the two companies formed three-and-a-half years ago. In January 1993 Alcoa paid about $50m for a controlling interest in Kofem and embarked on a five-year $165m investment and restructuring plan.

The company produces flat-rolled aluminium products and extrusions at a plant in Szekesfehervar, south-west of Budapest, which has attracted several other multinational companies and is one of Hungary's fastest-growing industrial centres.

Alcoa-Kofem, which sells its products locally and on other European markets, reported a 1995 pre-tax profit of Ft1.63bn ($12m), after making a loss of Ft764m in 1994.

APV also announced it would hold a closed tender for a 72 per cent stake in Bakonyi Bauxitbanya, Hungalu's bauxite mining unit. It intends to invite four local aluminium producers to take a stake. To avoid creating a monopoly, each will be limited to an 18 per cent stake in the company, which operates several mines in western Hungary.

CME set to launch TV service in Slovakia

By Kevin Done, East Europe Correspondent

Central European Media Enterprises, the US pioneer of private commercial television in central and east Europe, is to start broadcasting in Slovakia at the end of August. The group was also confident of winning new licences in Poland and Hungary later this year, said Mr Leonard Fertig, CME chief executive.

In Ukraine, it had recently been awarded TV broadcasting licences covering the 18 largest cities in the country, he said. In Slovakia, CME has formed Slovenska Televizna Spolocnost (STS) along with local interests, and will launch the station nationwide as Markiza TV.

It is providing all of the finance for the Slovak operation, but will hold a 49 per cent equity stake and an 80 per cent economic interest in STS, in which it had invested $3.7m by the end of 1995.

Mr Fertig said that in Hungary the group was acquiring the state-owned Videovox, the largest dubbing company in the country, which it planned to develop as the site for its Hungarian TV operations.

CME's Hungarian joint venture was awarded a licence last year to broadcast within metropolitan Budapest, but it is delaying the start-up of this operation until the first half of next year, as it awaits the result of the current competition for national licences.

CME is one of the leading competitors in a tender for two national TV frequencies in Hungary, which are expected to be awarded later this year. Its main rivals include CLT of Luxembourg and Scandinavian Broadcasting System.

In Poland, CME is competing for licences in both the central and northern regions of the country and is aiming to establish a national network distribution company to supply all stations. A decision on the Polish licences is expected shortly.

The US group, which is quoted on Nasdaq, is controlled by Mr Ronald Lauder, one of the heirs to the Estée Lauder cosmetics fortune and CME's majority shareholder.

The group already operates the leading national TV station in the Czech Republic, Nova TV. In Germany, it has interests in existing regional stations in Berlin and Nuremburg and stations under development in Leipzig and Dresden. It launched national broadcasting operations in Romania and Slovenia in December last year.

In the first quarter of this year, the group increased turnover by 24.4 per cent from $18.69m in the same period last year to $23.26m, while net losses more than doubled from $3.39m to $7.78m.

Losses rose under the burden of the start-up costs in Romania and Slovenia, increased development expenses and higher operating expenses at Nova TV, Mr Fertig said.

Deutsche Telekom in Malaysia talks

By Gordon Cramb and James Kynge in Kuala Lumpur

Technology Resources Industries, operator of Malaysia's leading mobile telephone service, said yesterday it was in negotiations to sell a minority stake to Deutsche Telekom.

Such a deal could allow the state-owned German company, which is scheduled to be privatised later this year, an involvement in developing the Malaysian market for basic telephony. TRI has been granted licences for fixed line services as part of deregulation of the industry.

A TRI official, however, said that no accord had yet been reached. He declined to confirm a report that the company was proposing to issue new shares to Deutsche Telekom representing 10 per cent of its existing capital, while a similar holding would be sold to the German group in a private placement by Mr Tajudin Ramli, TRI chairman.

A deal of that nature could value the investment in TRI at more than M$1bn (US$401m).

Mr Tajudin, who is also chairman of the privatised Malaysian Airlines, said yesterday he hoped to develop his interests both in transport and telecommunications, noting that the expansion of the services sector was emphasised in Malaysia's five-year plan unveiled this month. Mr Tajudin currently holds stakes of around 32 per cent in Malaysian Airlines and 38 per cent in TRI, which runs the Celcom mobile network.

The main sticking point in the negotiations with Deutsche Telekom was a demand by the German company that TRI insert an "exclusivity" clause which would preclude the Malaysian company from establishing partnerships with other foreign companies, sources close to the negotiations said.

Analysts expect TRI to emerge among the strongest of the private sector companies vying to take basic voice business from Telekom Malaysia, the former monopoly provider.

In 1994 the government granted up to six licences to operate full phone services, but this year called for rationalisation of the sector, saying a maximum of three operators should emerge by 1999, when equal access to Telekom Malaysia's infrastructure will be granted.

Fund set up for central Europe

By Vincent Boland in Prague

DBG Eastern Europe, an affiliate of Deutsche Bank, yesterday launched a regional private equity fund to exploit post-privatisation opportunities by offering development capital to companies in central Europe's emerging markets.

The DBG Development Capital Eastern Europe Fund is to provide Kč900m ($32.7m) in development capital for investment in the region, and is in talks with institutional investors whose participation is likely to bring the amount available for investment to Kč1.8bn.

The aim is to offer "later-stage investments" by financing management buy-outs and buy-ins, acquisitions and joint ventures and helping companies to improve the quality of earnings and management.

The fund expects to invest a minimum of Kč50m in companies and will seek to delist them from the region's stock markets, removing them from the limitations of today's public markets," where lack of liquidity and access to capital hampers their development.

Mr James O'Neill, the fund's chief executive and managing director, said there was "a lot of consolidation and a lot of dynamics at work" in the region's emerging markets but that many companies were "trapped in a cycle of illiquidity". This had prevented companies from raising capital to expand or consolidate their businesses.

Mr O'Neill said the fund "will be looking to identify particular industries that have local expertise in manufacturing and export potential" and where there are opportunities to grow through acquisitions.

The main targets will be companies outside the top industrial sectors that have not attracted significant investor interest to date. Once the fund has acquired a stake it will seek board representation and will be "a supportive and active shareholder".

The Czech Republic in particular is in a turbulent post-privatisation phase. A battle for control of the leading industrial companies is under way between banks, investment funds and acquisitive conglomerates, but there is little new capital coming in to the market.

One of the obstacles to the smooth development of this process is the dispersal of ownership resulting from mass coupon privatisation, with many companies having thousands of individual shareholders. Mr O'Neill said removing this hurdle through taking companies private would allow management to concentrate on developing a clear strategic focus.

Argentaria ready to elect state nominee chairman

By Tom Burns in Madrid

The board of Argentaria, the partially-privatised Spanish banking group, will today elect stockbroker Mr Francisco González its new chairman at the request of the economy ministry. His appointment is the first by the new centre-right government to a leading state-controlled business.

Mr González, 51, sold his brokerage business, FG, to US investment bank Merrill Lynch for nearly $30m in February. He replaces Mr Francisco Luzón, 48, a professional banker appointed by the previous Socialist government.

In 1993, Mr Luzón offered 50 per cent of the group's equity on international and domestic markets, and in March he disposed of a further 25 per cent of Argentaria stock, raising $1.1bn. Mr González is expected to complete the privatisation.

The decision to replace Mr Luzón indicates that the ruling Popular party may replace all the chief executives of large government-controlled businesses.

These include Repsol, the energy group; Telefónica, the telecoms operator; and Endesa, the electricity generator.

■ Fomento de Construcciones y Contratas, the Spanish construction group, yesterday posted first-quarter net profits down 5 per cent from Pta3.17bn to Pta3.02bn ($23m), on turnover down 3.5 per cent from Pta99.59bn to Pta96.09bn, AFX News reports from Madrid. FCC said sales suffered from the heavy rainfall in both Spain and northern Morocco. Pre-tax profits fell 5 per cent from Pta6.58bn to Pta6.25bn. The company said its order book was worth Pta329.5bn at end-March, up 4.8 per cent from a year earlier.

MAZDA MOTOR CORPORATION
(the "Company")

Issued in conjunction with U.S.$100,000,000 3 per cent. Convertible Bonds 2000 (the "Bonds")

NOTICE OF ADJUSTMENT OF CONVERSION PRICE

NOTICE IS HEREBY GIVEN pursuant to Condition 5(C) of the Terms and Conditions of the Bonds that the Board of Directors of the Company passed a resolution on 12th April, 1996 to authorize an issuance of new shares by third party allotment.

In accordance with Condition 5(C) of the Terms and Conditions of the Bonds, such issuance of new shares shall result in an adjustment to the Conversion Price of the captioned Bonds as follows:

Conversion Price before adjustment: Yen 478.0 per share

Conversion Price after adjustment: Yen 470.60 per share

Such adjustment to the Conversion Price shall be effective as of 16th May, 1996 (Japan Time).

The Industrial Bank of Japan Trust Company
as Trustee on behalf of:
Mazda Motor Corporation
Dated: 17th May, 1996.

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Notice is hereby given that for the six months Interest Period from May 17, 1996 to November 18, 1996 the Notes will carry an Interest Rate of 5.5% per annum. The interest payable on the relevant interest payment date, November 18, 1996 will be U.S. $282.64 per U.S. $10,000 principal amount of Notes.

By: The Chase Manhattan Bank, N.A.
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CHASE

May 17, 1996

ALCATEL ALSTHOM
COMPAGNIE GÉNÉRALE D'ÉLECTRICITÉ

Corporation organized under French Law (Société Anonyme)
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FIRST NOTICE

The holders of 6¾% 1990-2000 bonds of FRF 680 nominal value issued by ALCATEL ALSTHOM COMPAGNIE GENERALE D'ELECTRICITE are convened to a General Meeting to be held TOUR SOCIETE GENERALE, 17 Cours Valmy - 92972 PARIS LA DEFENSE CEDEX (France) on June 7, 1996 at 2.30 p.m. in order to consider the following agenda:

- Board of Directors' Report.
- Approval of the decisions proposed to the Mixed meeting (Ordinary and Extraordinary) of shareholders, authorizing the board:
  - to issue equity warrants,
  - to use, in case of public offering to purchase or exchange shares, the authorizations given to it in order to raise the capital.
- Approval, if need be, of the decision to suppress the preferential subscription right arising from the undertaking by ALCATEL ALSTHOM COMPAGNIE GENERALE D'ELECTRICITE of two convertible loans contracted by ALCATEL CABLE, in the scope of the merger between the two companies.
- Decision on the method of recording the documents of the General Meeting.

In order to permit the bondholders to attend, or to be represented at this meeting, the Bonds or their deposit receipts must be deposited at least five days before the date fixed for the meeting, with one of the banks having participated in the placement of these Bonds and from whom proxies or admission cards can be requested. This meeting shall be validly held if the holders of at least twenty five per cent of the outstanding bonds entitled to vote are present or represented.

THE BOARD OF DIRECTORS

HSBC Holdings plc

US$250,000,000
Subordinated collared floating rate notes 2008

The notes will bear interest at 5.3125% per annum for the interest period from 17 May 1996 to 18 November 1996. Interest payable on 18 November 1996 will amount to US$27.30 per US$1,000, US$273.00 per US$10,000 and US$2,730.03 per US$100,000 note.

Agent: Morgan Guaranty Trust Company

JPMorgan

Kingdom of Sweden

US$1,500,000,000
Floating rate notes 1996

Notice is hereby given that for the interest period 16 May 1996 to 16 August 1996 the notes will carry an interest rate of 5.375% per annum. Interest payable on 16 August 1996 will amount to US$13.74 per US$1,000 note.

Agent: Morgan Guaranty Trust Company

JPMorgan

GENERALE

Société Générale de Belgique
Rue Royale 30 - B-1000 Brussels - Belgium

1995 dividends

The Annual General Meeting held on 15 May 1996 decided to pay out, with effect from 23 May 1996, a dividend of BEF 87 net, i.e. after deducting withholding tax. The dividend will be increased to BEF 98.60 if the corresponding VVPR strip coupon is presented together with the share coupon.

According to the opinion given by the Belgian Finance Ministry, as published in the Belgian Official Gazette dated 27 April 1996, pages 10371 and 10372, the share coupon and VVPR strip coupon must be presented by 30 November 1996 at the latest for shareholders to qualify for the reduced rate of withholding tax.

Holders of bearer shares may present coupon No. 39 and the corresponding VVPR strip coupon for payment at the following banks:

Belgium:
Generale Bank, Montagne du Parc 3 - 1000 Brussels
Banque Indosuez Belgique, Place Sainte-Gudule 14 - 1000 Brussels
Banque Belgo-Zaïroise (Belgolaise), Cantersteen 1 - 1000 Brussels

France:
Banque Indosuez, 96, boulevard Haussmann, F - 75008 Paris

Luxembourg:
Banque Générale du Luxembourg, 50, avenue J.-F. Kennedy, L - 2951 Luxembourg

Germany:
Generale Bank & C°, Christophstrasse 33-37, D 5000 Cologne 1
Deutsche Bank, Taunusanlage 12, D 6000 Frankfurt am Main 1

Switzerland:
Crédit Suisse, 8 Paradeplatz, CH - 8001 Zürich
Société de Banque Suisse, 1 Aeschenvorstadt, CH - 4051 Basel
Union de Banques Suisses, 45 Bahnhofstrasse, CH - 8001 Zürich

ALLIANCE LEICESTER

Alliance & Leicester Building Society

£50,000,000
Subordinated Floating Rate Notes due 2004

For the three months 15th May, 1996 to 15th August, 1996 the Notes will carry an Interest Rate of 6.48 per cent. per annum with an interest amount of £162.89 per £10,000 principal and £1,628.85 per £100,000 principal, payable on 15th August, 1996.
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CABLE & WIRELESS

Edper issue aims at boosting confidence

By Bernard Simon in Toronto

Edper Group, the main holding company of the resources and financial services conglomerate formerly controlled by Toronto's Bronfman family, has taken another step towards rebuilding investor confidence with its first foray into equity markets in several years.

The group is emerging from a series of upheavals, including the disposal of some of its biggest assets, strained relations with the financial community and a simplification of its complex, interlocking structure. Among the effects of the shake-up has been a transfer in control from the Bronfman family to a group of managers led by Mr Jack Cockwell.

Edper said yesterday that it raised C$170m (US$124m) from an issue of 7 per cent, 10-year subordinate convertible debentures. The debentures, payable in two instalments, are convertible into Edper non-voting shares at C$6.50 each.

The issue was seen in the investment community mainly as a flag-waving exercise. Midland Walwyn, the lead underwriter, said demand from institutional and retail investors was "extremely good", but that the deal was not aggressively priced. The size of the deal was raised from an initial C$125m.

Edper described the issue as "an important step forward". The proceeds will be used to reduce debt and bolster liquidity.

Edper's remaining interests include control of Noranda, the metals and industrial group; London Life Insurance, one of Canada's biggest life insurers; Royal LePage, a property brokerage; and a number of businesses in Brazil.

Over the past few years, Edper and its associated companies have disposed of sizeable stakes in MacMillan Bloedel, the west coast paper producer; John Labatt, the beer and entertainment group; and Trizec, one of North America's biggest property developers. Royal Trust, a troubled financial institution, was rescued by Royal Bank of Canada.

As a result of the restructuring, Edper, formerly known as Pagurian Corp, is now 66 per cent-owned by Partners, a private company controlled by Mr Cockwell and his fellow-managers.

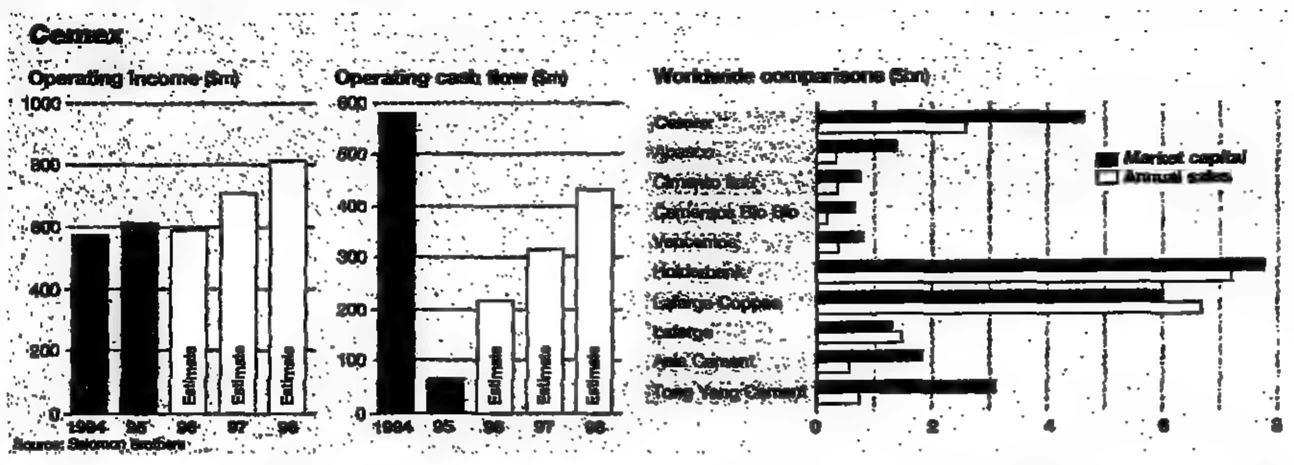
Mr Peter Bronfman has a 15 per cent stake in Partners and a minority holding of non-voting Edper shares. The Toronto Bronfmans are cousins of the family that controls Seagram, the drinks and entertainment group.

Edper's first-quarter earnings rose 19 per cent to C$16.2m, or 17 cents a share.

Financial blocks dog Cemex empire-building

The multinational is aiming to spread risk through acquisitions, says **Daniel Dombey**

Cemex, the Mexican cement group, moved from fourth to third-largest cement manufacturer in the world when it recently earmarked $600m for a 60 per cent stake in the Colombian group Cementos Diamante and on a proposed acquisition of another Colombian company. But, says Mr Gustavo Caballero, Cemex's chief financial officer, "what marks us out from other cement companies is that we are an emerging country multinational".



The logic behind the company's policy is simple: coming from an emerging economy, Cemex can claim to understand developing markets. Central America and the Caribbean account for 59 per cent of sales, with only 41 per cent coming from Spain and the US.

The company stands to benefit from the construction boom expected in emerging countries. But while these markets as a whole grow at impressive rates, individual countries are *likely to be volatile – as the* Mexican devaluation and the country's subsequent economic slump shows.

Hence the desire to spread *profits: the company expanded* its presence in Mexico between the mid-1970s and the early 1990s, but then widened its interests in 1992 and 1994 with *acquisitions that made it the* largest cement company in Spain and Venezuela respectively. Last December, it bought a controlling stake in a Dominican company, *consolidating* its position as a leading company in Central America and the Caribbean.

Only 40 per cent of Cemex's sales come from Mexico. As a result, 1995 revenues, after a year of economic crisis, stood at $2.6bn, 22 per cent up on the same period a year before.

However, expansion has not always been easy. Last December, *its $106m bid for Cementos* Paz del Rio, a medium-sized Colombian producer, was disqualified by the country's securities regulatory agency, and *control went to Colombia's* largest cement company, Grupo Argos. Cemex alleges the process was not fully fair.

The company originally wanted to bring together Cementos Paz del Rio and Cementos Samper, also Colombian, in which Cemex plans to take a 51 per cent stake.

However, the acquisition of Diamante and Samper is likely *to serve its purposes better,* since Diamante, Colombia's second-largest cement company, is bigger and more efficient than Paz del Rio.

"Cementos Paz del Rio would just have been a foothold in the market," says Mr Caballero. "It's a good thing we didn't get it in the end. After *the affair,* these other companies decided that they had to get global or get out."

The problems surrounding the Cementos Paz del Rio bid illustrate how difficult acquisitions can be. A further constraint is financing. Cemex's debt covenants put a 55 per cent limit on the proportion of total debt to total capitalisation.

Mr Caballero argues that the current level of 49.9 per cent poses little risk even in the event of a peso devaluation, *because half of the company's* assets are denominated in non-peso currencies. However, the covenants do mean the company has to look for ever more *ingenious financing for new* acquisitions.

To buy the two Colombian companies, Cemex made a private placement of $200m of *shares, marked up a long-term* deferred payment of $140m from the sellers of the Colombian companies (essentially taking out IOUs), and plans to use $120m of its own cash.

Another $140m in debt will be taken out by Cementos Diamante, which will then purchase Cementos Samper. The two companies have only $8m more debt than their total cash available of $69m, and as Colombia's sovereign debt has investment grade ratings, Diamante will be able to borrow at lower spreads than in Mexico.

Though some of the funds for the purchase are from cash flow, Mr Caballero maintains that funds will not be diverted from important capital expen*diture, arguing that the com*pany was not planning significant new investment in Spain, Venezuela or Mexico, where it has overcapacity.

"At the end of the day, these acquisitions have increased total capital," says Mr Roberto Carrillo, Latin American cement strategist at ING-Barings in Mexico City.

Even so, Cemex has guaranteed some of the debts its new subsidiaries have taken on, taken money out of its cash *flow,* and sold *shares at* below market rate. The company may have manoeuvred its way past some of the political limits to expansion, but it will have to show yet more financial ingenuity if it is to keep growing.

Payout rise and stock split lift Chrysler

Shares in Chrysler, the US car manufacturer, jumped yesterday after the announcement of a two-for-one common stock split and a 10 cents a share increase in the company's pre-split common stock dividend, Reuter reports from Towson, Maryland.

The group's shares rose 1⅞ to 66¼ in early trading.

Since October 1993, Chrysler has raised its dividend six times, representing a 360 per cent increase. The company said its dividend yield would be 4.3 per cent, the highest among Detroit's Big Three car manufacturers.

Chrysler said the split would be made in the form of a 100 per cent stock dividend for shareholders of record as of June 15.

The dividend increase takes Chrysler's quarterly common stock dividend to 70 cents a share from 60 cents, on a pre-split basis.

It marks the third year in a row that Chrysler has raised *its dividend at its annual* shareholders' meeting.

"The actions today by the Chrysler board *reflect our continuing exceptional sales and earnings performance,* strong confidence in our future prospects and a stock price near record levels," Mr Robert Eaton, Chrysler *chairman, said.*

"We are dedicated to increasing shareholder value, and our actions today demonstrate that *commitment."*

Chrysler said it had completed half of its announced $2bn stock buy-back programme for 1996.

The company is also committed to an additional $1bn share repurchase programme for 1997 as part of its five-year peace accord with Mr *Kirk Kerkorian, the* billionaire shareholder.

The company also said its board had declared a dividend of $1.15625 per depositary *share, which represents* one-tenth of a share of the company's series A convertible preferred stock.

The dividend is payable on *July 15, as is the quarterly* cash dividend.

NEWS DIGEST

Molson sells more of Diversey unit

Molson, the Canadian brewing group, has sold another part of Diversey, its international special chemicals business, as it restructures to rebuild profitability. Most of Diversey was sold earlier this year to Unilever for C$780m (US$570m), and Diversey's Water Technologies unit has now been sold to Nalco Chemical of the US for C$112m cash. The unit operates in the UK, Canada, the US and Italy, and had sales last year of C$82m.

Other Diversey units, including a metals finishing business and a laundry and institutional chemicals unit, remain to be sold. Molson hopes to raise a total of C$1.1bn from the disposals.

Molson, one of Canada's oldest companies, is working hard to turn around its declining domestic market share and expand exports to the US and elsewhere. Mr Marshall Cohen, Molson's chief executive, is stepping down this year and Molson has moved the head of its US brewing unit to head the Molson Breweries subsidiary, jointly owned with Foster's of Australia and Miller of the US. *Robert Gibbens, Montreal*

Quaker quits frozen food sector

Quaker Oats, the US soft drinks and foods group, has quit the frozen food business after finding a buyer for its Aunt Jemima frozen breakfast products and Celeste frozen pizza lines, which have annual sales of about $175m. They have been bought by Van de Kamp's, a small US frozen foods business sold by the UK's Grand Metropolitan to a group of investors last year. Terms were not disclosed.

Quaker Oats put the frozen food businesses on sale in March, saying they were not core. The company's Aunt Jemima pancake mix, syrup and corn products businesses were excluded from the auction. *Richard Tomkins, New York*

Takeover targets offered insurance

US companies are being offered the chance to buy insurance against hostile takeovers. The product, launched by Aon, the insurance broker, is believed to be the first sold in the US. Underwritten at Lloyd's of London, the product will reimburse insured corporations for costs associated with the successful defence of a hostile takeover attempt. About 100 UK companies are understood to have similar insurance. The product was developed by Aon and TOI Corporate Services, part of Swire Fraser, the Lloyd's of London broking and financial services group.

Ralph Atkins, Insurance Correspondent

Hambrecht & Quist 'plans IPO'

San Francisco-based Hambrecht & Quist, which has taken public such fast-growing technology companies as Netscape Communications, is preparing an initial public offering of its own shares, the New York Times reported. Such an offering would probably involve the sale of between 15 and 20 per cent of Hambrecht's equity, and the sale of those shares was likely to raise as much as $80m, analysts were reported as saying. This assumed a current market value for Hambrecht of between $400m and $500m, said the newspaper.

AP-DJ, New York

Carrefour boosts Brazil network

Carrefour Supermarche's Brazilian affiliate is set to invest $300m in 1996 to expand its network in the south and begin activities in the north-east region. Under the plan, the French supermarket chain will open six additional stores this year, bringing its Brazil total to 44. *Reuter, São Paulo*

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Established at The Hague, The Netherlands

Final dividend 1995

The General Meeting of Shareholders of Royal Dutch Petroleum Company held on 15th May, 1996, has decided to declare the final dividend for 1995 at N.fl. 5.60 on each of the ordinary shares with a par value of N.fl. 5. The total dividend for 1995, including the interim dividend of N.fl. 3.90 already made payable in September 1995, will thus amount to *N.fl. 9.50 per share.*

For holders of bearer certificates with coupons this final dividend will be payable against surrender of coupon No. 212 on or after 28th May, 1996, at the offices of:

Barclays Bank PLC,
Barclays Global Securities Services,
8 Angel Court, Throgmorton Street,
London EC2R 7HT
on business days between the hours of 9.30 a.m. and 2 p.m.

Payment will be made in sterling at the buying rate of exchange current in London at 2 p.m. on 23rd May, 1996, in the case of coupons presented on or before that date, or on the day of presentation in the case of coupons presented subsequently. Coupons must be accompanied by a presentation form, copies of which can be obtained from Barclays Bank PLC.

For holders of shares of which the dividend sheets are at the close of business on 21st May, 1996, in the custody of a Depositary admitted by the Centrum voor Fondsenadministratie B.V., Amsterdam, this final dividend will be paid to such Depositary on 28th May, 1996. Such payment will be effected through Barclays Bank PLC, after receipt by them of a duly completed CF Dividend Claim Form.

Where under the double taxation agreement between the United Kingdom and the Netherlands, 15 per cent Netherlands dividend tax has been withheld, the 15 per cent Netherlands tax is allowable for a resident of the United Kingdom as a credit against the United Kingdom income tax payable in respect of the dividend. The deduction of United Kingdom income tax at the reduced rate of 5 per cent instead of at the basic rate of 20 per cent represents a provisional allowance of credit at the rate of 15 per cent.

Where appropriate, the usual affidavit certifying non-residence in the United Kingdom will also be required if payment is to be made without deduction of United Kingdom income tax at the basic rate.

The Hague, 17th May, 1996
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COMPANIES AND FINANCE: ASIA

Stronger Japan markets lift brokers back to black

By Gerard Baker in Tokyo

Japan's rising stock market paid long-awaited dividends for the country's leading stockbrokers in the year to the end of March, helping them return to the black after the previous year's losses.

But with the outlook for the securities sector still far from certain, none of them expects a similarly strong improvement in the year ahead.

Three of the Big Four brokers – Yamaichi, Daiwa and Nikko – said yesterday they had returned to profit at the recurring level (before extraordinary items and tax) in 1995-96. Nomura, the other leading broker, had already announced last month an increase in profits from last year, when it barely broke even.

The results were the best for the Big Four since the collapse of Japan's bubble economy began six years ago. Aggregate operating revenues at the four companies were up by more than 35 per cent, as investor confidence began to flow back into the stock market.

An exceptionally strong bond market was another factor that helped their performance. The Japanese authorities cut interest rates sharply in the first half of the year in an effort to bolster the flagging economy. As a result, the yield on the 10-year benchmark government bond fell from 4.4 per cent in February to 2.8 per cent in September.

But a strengthening stock market in the last six months was the main factor behind the improvement. Average daily trading volume on the Tokyo Stock Exchange in the second half of the year was 450m shares, up by more than one-third on a year earlier. Foreigners were particularly heavy buyers.

Stockbroking commission revenues increased by between 18 per cent at Daiwa and 22 per cent at Nikko. Bond trading revenues were up by more than 20 per cent, with bond issuance also rising. Equity underwriting remained weak, however.

The big brokers are understandably still cautious about the outlook for the current year. They expect a further improvement in profits, helped by continued strong equity trading volumes. But they still expect to be a long way short of the financial highs they reached in the late 1980s.

The turnround for the country's big brokers was not reflected at smaller companies, however. Eight of the 10 "second-tier" securities companies reported another year of recurring losses yesterday, in spite of the improving economic environment.

The smaller brokers are much more dependent on brokerage commissions from individual investors than the Big Four, and retail broking has remained sluggish even during the overall recovery in stock trading volumes over the last year.

Those higher volumes have been dominated by institutional investors and foreign clients, who trade mostly through the larger brokers.

But many of the smaller companies also still have inflated cost bases as a result of over-ambitious expansion in the late 1980s.

The results were just a slight improvement over last year when all 10 second-tier companies reported recurring losses. Most brokers cut their losses compared with last year, but not significantly. Two brokers – Kokusai and Wako, both of which rely less on individual investors for their business – managed to report small recurring profits.

The smaller companies will be further hit by the accelerating liberalisation of brokerage commissions in the next year. Most brokers said they planned to reduce their dependency on equity commissions, which account for about 70 per cent of their total revenues.

All the second-tier brokers expect to return to profit in the current financial year, though realising those expectations will depend heavily on the equity market's continued strength.

Japan's Big Four brokers (Y bn)

	Operating revenue	Change on year (%)	Recurring profits* 1995-96	Recurring profits* 1994-95	Net profits 1995-96	Net profits 1994-95
Nomura	432.1	+29.0	91.5	6.8	23.1	20.0
Daiwa	301.6	+45.1	62.6	-24.9	43.7	-31.6
Nikko	295.7	+47.5	65.0	-19.3	33.8	-22.7
Yamaichi	274.2	+37.9	15.1	-50.5	15.9	-52.6
Second-tier brokers						
Kokusai	88.0	+23.1	7.4	-10.8	4.6	-4.8
N Japan	80.8	+10.4	-3.5	-17.0	1.2	-21.4
Wako	64.9	+42.3	1.7	-23.5	-8.0	-22.5
Kankaku	60.7	+20.9	-15.0	-30.9	-17.3	-27.5
Okasan	43.6	+29.9	-1.7	-14.2	-8.0	-8.3
Sanyo	43.0	+16.8	-18.1	-33.7	-17.9	-31.7
Cosmo	26.9	+13.0	-1.0	-8.4	-1.0	-7.3
Tokyo	26.3	+16.9	-4.2	-9.3	-4.4	-34.2
Dai-Ichi	24.4	+17.9	-1.4	-8.3	-9.0	-3.5
Yamatane	14.3	+33.6	-4.6	-9.8	-4.5	-8.4

*Before extraordinary items and tax. Source: Companies

Loans write-off expected

Nomura Securities is expected to write off all the Y400bn ($3.7bn) in non-performing loans held by its non-bank subsidiary Nomura Finance Co, within the current financial year, writes Gerard Baker. The company said it was considering the move, though no decision had yet been taken.

The broker is currently supporting its subsidiaries as a group, aiming to write off debts over a longer period at Nomura Finance against gains in real estate sales at other subsidiaries. But the company confirmed reports that that policy was now under review. Nomura expects Y100bn in recurring profit in the current year; additional funds for the write-off would most likely come from sales of securities holdings.

Hitoshi Tonomura: abandoned low-margin trading and brokerage activities

Tonomura puts Nomura's UK arm back on track

A strategy switch has led to a European revival for the Japanese broker, reports Antonia Sharpe

On the face of it, railway rolling stock and public houses (bars) do not have much in common with investment banking. Yet by investing in such assets, Nomura International, the London arm of Japan's biggest securities house, has engineered a rapid return to profit.

A year ago, Nomura's European operation was on the ropes. Its failure to become a leading force in its chosen markets – such as primary dealing in UK and French government bonds, and trading in European equities – had contributed to a loss of £162m ($245m) in the year to end-March 1995.

But yesterday, Mr Hitoshi Tonomura, who was sent back to London from Tokyo last year to sort out the operation he had built up in the early 1980s, had the satisfaction of showing that he had done just that.

By focusing on Nomura's strengths – its capital, its franchise of clients in Japan and the talent it had hired in recent years from rival banks – and by withdrawing from areas where it had insufficient market share to make serious money, Mr Tonomura has returned the European operation to a pre-tax profit of £67m in the year to end-March 1996, well above the "reasonable" profit he predicted upon his arrival a year ago.

In an interview with the Financial Times, Mr Tonomura said the turnround had been achieved by abandoning low-margin trading and brokerage activities, and by concentrating instead on innovative but profitable businesses such as asset trading, principal finance and securitisation, and eastern Europe.

The first two activities, in particular, require extensive use of the firm's capital to make a big profit, but Mr Tonomura rejected suggestions he had embarked on a "high-risk high-return" strategy. "This company is not a hedge fund," he said, referring to fund managers who take highly-leveraged positions in financial markets in the hope of maximising their returns.

"If you jump into cold water without the right kit it can be high risk and low return," Mr Tonomura joked. However, he ensured Nomura had the "right kit" by putting in place a strong risk-management team which constantly monitors the firm's capital.

Asset trading involves buying bonds and other securities which are trading below their inherent value, in the hope that their price will rise when the market realises that they are under-valued. In early 1995, Nomura launched into this market by poaching Mr Simon Fry, an asset-trading expert, from CS First Boston.

However, of the three activities which now form the foundations of Nomura International, principal finance and securitisation has been the most profitable so far. This involves Nomura using its own capital to buy assets which it then re-packages as bonds and sells on to investors.

Nomura's most notable principal finance deals in the last year were the £672.5m purchase of one of three rolling stock leasing companies from British Rail and the £254m purchase of nearly 1,800 pubs throughout the UK.

Mr Tonomura, who yesterday took over as chairman of Nomura International from Mr Koichi Kane (who is returning to Tokyo), said that while no product was profitable for ever, these three businesses would remain "interesting" for the next five or 10 years. With his usual caution he added, "But I don't have a crystal ball."

All of these securities having been sold, this advertisement appears as a matter of record only.

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May 1996

Kyocera enjoys record year as sales surge

By Michiyo Nakamoto in Tokyo

Kyocera, the Japanese maker of electronic components, communications equipment and fine ceramic parts, posted record group sales and profits for the year to March 31. Demand for its products was fuelled by strong growth in Japan's cellular communications market and by PC markets around the world.

The Kyoto-based company, whose operations span electronic components to cellular phones, lifted sales by about 30 per cent to Y647.2bn ($6.1bn) in the year and more than doubled pre-tax profits to Y163.8bn, from Y81.2bn last time.

Kyocera, which owns 21.72 per cent of DDI, an operator of long-distance communications and cellular phones, doubled sales of portable phone handsets. It also recorded strong sales growth for equipment for the personal handyphone system (PHS) which DDI has been developing.

Despite a sharp fall in handset prices in Japan, Kyocera was able to make strong profits from cellular phone handset sales after efficiency and cost improvements. This helped the company to more than triple profits in its electronic equipment operations, on sales up 90 per cent.

Strong growth in the cellular phone market was further underlined by the buoyant increase in sales at DDI, which yesterday reported a near doubling of parent pre-tax profits.

DDI lifted profits by 97 per cent to Y57.7bn on sales of Y470.3bn, up from Y377.9bn. On a consolidated basis, although DDI increased sales by 31 per cent to Y669.6bn its pre-tax profits suffered from large investments in PHS and tumbled 10 per cent to Y61.5bn.

Rapidly expanding telecommunications markets helped Kyocera achieve a 90 per cent increase in sales of its electronic equipment division.

Kyocera also benefited from expanding PC markets worldwide. This lifted demand for its semiconductor parts, electronic components and fine ceramics, which all showed double-digit increases.

AVX, a US maker of electronic components, such as ceramic condensers, which became a part of Kyocera in 1990, also did well. It saw pre-tax profits surge 88 per cent to $209m. AVX was listed on the New York Stock Exchange during the year, providing Kyocera with an extraordinary gain of Y34.6bn. To commemorate the listing, Kyocera will pay a special dividend of Y10 in addition to a full-year payment of Y50 a share.

The group expects continued growth in the telecommunications and PC markets to support a 10 per cent increase in consolidated sales and a 20 per cent rise in operating profits. However, without the benefits of the AVX listing and currency gains, which helped lift pre-tax profits in the last financial year, pre-tax profits are expected to fall.

The company believes demand for PHS will grow firmly this year. Orders averaged 50,000 a month until February, and are now at at 250,000 a month, bringing the total number of handsets shipped to 1m by the end of April.

Signs of recovery in Tokyo property market

By William Dawkins in Tokyo

Tokyo's office property slump has bottomed out, on the evidence of annual results yesterday from Japan's three leading property developers.

The trio, Mitsui Fudosan, Mitsubishi Estate and Sumitomo Realty & Development, all reported sharp falls in recurring profits – before tax and extraordinary items – in the year to March. However, they forecast modest underlying recoveries for the next 12 months. They were all affected by declining office rents and occupancy rates and a fall in prices for city-centre condominiums, their two main sources of profit.

But the office market has picked up in since March, so that central Tokyo office vacancy rates have fallen to around 4 per cent, from 5.8 per cent in the same month last year, said Mr Mark Brown, property analyst at Barclays de Zoete Wedd in Tokyo. Rents are widely expected to stabilise, after having declined by up to 60 per cent over the past five years. Condominium prices, however, remain weak.

"The commercial property market has turned round, but this has not been reflected in the property developers' results," added Mr Etsusuke Masuda, property analyst at James Capel Pacific.

Mitsui, the largest and most aggressive developer, which derives 54 per cent of its revenues from selling condominiums and the remainder from office leasing, reported a 23.8 per cent decline in recurring profits to Y8.4bn ($78.6m), well short of its own forecast. It expects a slight recovery to profits of Y8.5bn this year.

The main feature in Mitsui's underperformance was an 11 per cent fall in condominium sales, where gross margins have contracted in a competitive and crowded market. There was also an unexpected rise in administration costs, from 5 per cent of turnover to 6 per cent. That was partly offset by a Y10bn decline in net interest charges, chiefly because of the fall in Japanese interest rates last year, but also attributable to debt reduction.

Sumitomo, whose revenues are split roughly evenly between property sales and rentals, was another to come in below its forecast, with a 12.5 per cent decline in recurring profit. However, net profits were up 39 per cent because of a sharp decline in extraordinary charges. Like Mitsui, Sumitomo foresees a modest recovery this year, with a forecast rise in recurring profits from Y4.8bn to Y5bn.

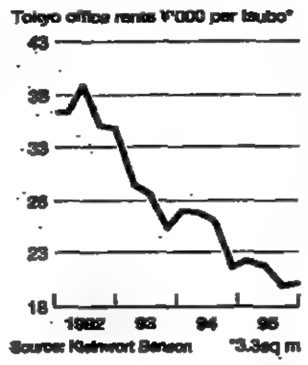
Mitsubishi Estate, which derives nearly all its revenue from leasing office space, reported a 10.3 per cent recurring profit decline, but a Y121bn net loss – in line with its own forecast – after writing off more than Y100bn for its former investment in the New York Rockefeller Center, and revaluing one of its subsidiary's investment in a London office redevelopment. Mitsubishi expects to return to a Y82bn net profit this year. However, its forecast of a Y20bn recurring profit in the current 12 months marks a big decline from the Y29bn for the year just ended.

Foundations for upturn (Y m)

	Sales	Recurring profit*	After-tax profit	Div (Y)	EPS (Y)
Sumitomo Realty					
Year to Mar 96	245,287	4,801	2,974	6	7.31
Previous year	204,200	5,488	2,128	6	5.28
Year to Mar 97†	230,000	5,000	5,000	6	12.29
Mitsui Fudosan					
Year to Mar 96	664,351	8,405	6,938	9	8.54
Previous year	737,500	11,031	6,982	9	11.08
Year to Mar 97†	630,000	8,500	7,600	9	9.23
Mitsubishi Estate					
Year to Mar 96	404,749	29,308	(121,333)	8	-93.39
Previous year	420,100	32,688	24,357	8	18.75
Year to Mar 97†	379,000	20,000	82,000	8	63.23

* before extraordinary items and tax; † forecast. Source: Companies

Plunging rents



Source: Kleinwort Benson *3.3sq m

NAB edges ahead 4.6% to A$998m in first half

By Nikki Tait in Melbourne and George Graham in London

National Australia Bank, Australia's biggest commercial bank and also the owner of a number of banking groups in the UK, US and New Zealand, yesterday announced a profit after tax of A$998m (US$799m) in the six months to the end of March.

This compared with A$954m in the same period of the previous year, a rise of 4.6 per cent. Michigan National, the US banking group bought for US$1.55bn last year, was included from November and contributed A$69m to profits.

Basic earnings per share were virtually static at 69.4 cents but the interim dividend was raised from 40 cents a share last year to 43 cents.

Many analysts had forecast profits above A$1bn, and NAB's shares closed 6 cents lower at A$11.56, having been 19 cents down at one stage. But Mr Cliff Breeze, group general manager, said the bank viewed the figures as "creditable" in a general banking environment "more competitive than we can ever remember".

The results were scored after a higher charge for bad and doubtful debts, at A$162m against A$86m. However, the bank was somewhat less pessimistic than its competitor, Westpac, which reported earlier this week, over the potential deterioration in the credit cycle. This meant that the group's "underlying profit" – adding back the bad debt charge, tax and abnormal items – showed a 9.9 per cent increase, to A$1.67bn.

The core Australian interests contributed A$635m, up 5 per cent on the previous year. But there was a 7.7 per cent decline in net profits from the UK/Irish operations, to A$192m – blamed largely on higher provisions at Yorkshire Bank, and continued expenditure on new technology.

Mr Glenn Barnes, NAB managing director for the UK and Europe, said a number of Yorkshire Bank loans had become unsalvageable, as the bank was competing in very difficult economic conditions. He denied that the increase in bad debts was caused by the pursuit of loan volume targets.

Yorkshire Bank had also experienced teething problems with its Systematics computer system. The same system will be introduced at Clydesdale Bank and in Ireland.

The Bank of New Zealand had a 3.9 per cent rise in profits, to A$132m, but the result from New Zealand overall was down from A$104m to A$88m, owing to a NZ$32m provision relating to a valuation issue with the BNZ Officers' Provident Association.

Mr Breeze said NAB foresaw a "very challenging" second half, but believed it would "continue to do well". The company was continuing to review its strategy on neighbouring Asian markets, and expected to say more in three or four months.

NEWS DIGEST

Toray posts first rise in six years

Toray Industries, the Japanese synthetic fibre maker, saw its first rise in group net profits in six years, on the back of increased capital investment and enhanced efficiency in its production lines. The company posted a 35.3 per cent rise in consolidated recurring profits – before extraordinary items and tax – for the year to March, to Y40.9bn ($382.8m), while net earnings increased 81.4 per cent to Y18.2bn. Sales rose 4.5 per cent to Y941.4bn.

Sales of fibres and textiles, its mainstay, rose 1.7 per cent to Y423.6bn, while plastics and chemicals jumped 9.3 per cent to Y254.5bn. Housing and engineering revenue increased 10.5 per cent to Y134bn; pharmaceuticals and medical products fell 14.7 per cent to Y39.5bn. On an unconsolidated basis, the company posted a 6.2 per cent rise in recurring profits to Y36.3bn on a 3 per cent sales increase to Y543.3bn.

For the year to next March, consolidated recurring profits are projected to rise 36.9 per cent to Y56bn on a 9.4 per cent increase in sales to Y1,030bn. *Emiko Terazono, Tokyo*

Taisho Pharmaceutical climbs

Taisho Pharmaceutical, Japan's leading maker of over-the-counter drugs, saw a healthy rise in profits for the past business year, due to an increase in sales of drugs developed in-house. Unconsolidated recurring profits – before extraordinary items and tax – for the year to March rose 11.4 per cent to Y51.9bn. Cost-cutting in research and development and sales promotion also helped earnings. After-tax profits rose 16.1 per cent to Y32bn.

Sales grew 4.7 per cent to Y220.9bn, after a 9.1 per cent rise in prescription drugs to Y526bn. Sales of over-the-counter drugs rose 2.4 per cent to Y147.7bn. For the year to next March, the company expects annual parent sales to rise 0.9 per cent to Y223bn, with recurring profits down 12.8 per cent to Y54bn.

The outlook for sales of prescription drugs, over-the-counter pharmaceuticals and pep-drinks is sluggish, while the government's cut in official drug prices are likely to erode profit margins. The company also expects sales management costs to rise and a deterioration in its balance of financial items. *Emiko Terazono*

Turnround at Thai media group

Manager Media Group, a Thai publishing group controlled by entrepreneur Mr Sondhi Limthongkul, owner of the recently-launched Asia Times newspaper, reversed last year's losses and yesterday reported a net profit of Bt152m ($6m) in the first quarter of 1996. Manager Media lost Bt158m in the first quarter of 1995.

Sales of investments by the company powered earnings, bringing in Bt274m in the first quarter. The company lost Bt21.5m from investments held by subsidiaries.

Manager Media also continues to operate at a loss. It said it lost Bt92m on operations in the first quarter, compared with operational losses of Bt115m in the first quarter last year.

International Engineering, a trading and mobile phone company in which Mr Sondhi has a significant stake, reported a first-quarter net profit of Bt121m, an 18 per cent increase over the same period last year. Analysts said profit growth was better than expected – although sales fell 4.4 per cent year-on-year, gross margin expanded to 33 per cent in the quarter compared with 22 per cent in the fourth quarter of 1995. *Ted Bardacke, Bangkok*

CSR and Mobil Oil in venture

CSR, the Australian building products, sugar and aluminium group, said yesterday it was forming a 50:50 road-surfacing joint venture with Mobil Oil Australia. CSR already supplies aggregate to Mobil, which in turn supplies bitumen to CSR. The companies said the joint venture – which they claim will be Australia's biggest road-surfacing unit with annual revenues of about A$300m (US$240.2m) – will allow for reduced overheads and lower operating costs.

Competition authorities have indicated they will not oppose the deal, CSR said. *Nikki Tait, Sydney*

Goldsmith lifts Elders stake

Sir James Goldsmith's General Oriental Investments notified the Australian Stock Exchange yesterday it had again raised its stake in Elders, the agricultural products group which is subject to an agreed bid from Futuris, a Perth-based mini-conglomerate.

General Oriental took its stake to just above 5 per cent shortly after the A$280m Futuris offer was announced, and said yesterday it now held 6.76 per cent. There have been suggestions that General Oriental may be anxious to block the all-share merger. *Nikki Tait*

James Hardie business for sale

James Hardie, the Australian building products group, said yesterday it was putting its irrigation products business up for sale. The division has annual sales of US$135m. *Nikki Tait*

Earnings increase at Mitsui chemical units

By Emiko Terazono in Tokyo

Two Japanese chemical companies belonging to the Mitsui group posted strong earnings growth for the 12 months to March as a result of brisk exports and rationalisation efforts.

Mitsui Toatsu Chemicals said non-consolidated current profits jumped nearly nine-fold from the year before to Y11.3bn ($105m) following streamlining of production and distribution operations.

Sales rose 3.4 per cent to Y393.3bn supported by strong exports. After-tax profits grew 5.3 times to Y4.1bn.

Sales of electronic parts and other chemical products rose 10.7 per cent to Y62.1bn while basic chemical product sales gained 3.8 per cent to Y126.1bn.

For the current year to next March, the company expects unconsolidated recurring profits to rise 32.6 per cent due to an expected improvement in its balance of financial items. Sales are expected to remain flat at Y390bn. With after-tax profits expected to rise 47.5 per cent to Y6bn, the company plans to raise its annual dividend.

Mitsui Petrochemical Industries saw unconsolidated recurring profits rise 80.7 per cent to Y17.3bn on an 11 per cent increase in sales to Y330.3bn as a result of higher prices and an increase in technology fee income.

The separation of its polypropylene business and acquisition of a resin maker depressed sales by Y1bn, although the move had little impact on overall earnings. After-tax profits jumped 148.8 per cent to Y8.2bn.

For the current year to next March, the company expects unconsolidated recurring profits to fall 1.9 per cent to Y17bn due to higher resin prices.

A decline in technology fee revenues by Y4bn and a decline in terephthalic acid by Y14bn is expected to depress sales by 6 per cent to Y312bn.

After-tax profits are expected to rise 15.2 per cent to Y9.5bn thanks to dividend income.

Hindustan Motors posts sharp advance

By Kunal Bose in Calcutta

Hindustan Motors, the Indian cars and heavy engineering group, announced a 72 per cent increase in net profits to Rs5.1bn ($147m) in the year to March 31, compared with Rs2.97bn in the previous year. Net sales were up 24.43 per cent to Rs92bn. Earnings per share rose to Rs4.75 from Rs2.76. The company proposed a dividend of Rs1 a share.

Car sales rose to 30,422 from 28,142 in the previous year. However, the company said that it "could not take full advantage of the buoyant Indian car market because of capacity constraint. But now we have taken up a project to make Mitsubishi Lancer cars here in technical collaboration with Mitsubishi Motors of Japan. Initially, the new plant will have capacity to produce 30,000 cars a year."

The company has also teamed up with Oka Motor of Australia, maker of four-wheel drive vehicles, to make cars for the Indian rural market.

Finance One ahead 46% in first term

By Ted Bardacke in Bangkok

Finance One, Thailand's largest finance company, yesterday reported first-quarter net profit of Bt633m ($25m), up 46 per cent on the same period a year ago.

The company, controlled by Mr Pin Chakkaphak – who this year engineered the takeover of a commercial bank and the merging of two large regional brokerage houses – attributed rising profits to a strong performance in Finance One's investment portfolio. Portfolio gains in the period were Bt260m, compared with a Bt35m loss in the first quarter of 1995. Nevertheless, One Holding, Finance One's investment arm, reported first-quarter net profit down 23 per cent from the same period last year, at Bt31m.

Increased turnover on the Thai stock market, where Finance One affiliates control about 16 per cent of all trading, also helped earnings. Brokerage fee income rose 41 per cent in the first quarter.

But like Thai banks, Finance One suffered on the lending side, where net interest margins declined as loan growth slowed while funding costs remained high. Finance One's net interest income rose only 5 per cent in the quarter.

The company said it was still waiting for official approval from the ministry of finance and the Bank of Thailand to go ahead with the proposed purchase of a controlling 20 per cent stake in Thai Danu Bank.

● Both of Thailand's mobile phone network operators have reported healthy first-quarter profit growth.

United Communications, parent company of Singapore-listed Total Access Communications, reported first-quarter net profit of Bt680m, up 19 per cent compared on the year before. AIS, a subsidiary of the Shinawatra group of companies, also reported strong net profit growth, of 70 per cent, to Bt398m. Many analysts were surprised by the results and said AIS continued to show healthy operating margins despite a decline in new subscribers.

TEGE SA

NOTICE

Shareholders are invited to attend the

ANNUAL GENERAL MEETING of TEGE SA

to be held on

Monday, 10 June 1996 at 10.00 am at the Conference Centre, Hotel Royal Plaza Intercontinental, Grand Rue 97, 1820 Montreux, Switzerland

The Annual Report, Auditors' Report and Annual Group Accounts will be available to shareholders from the TEGE SA offices, Switzerland from 17 May 1996. A copy of these reports will be sent to shareholders, free of charge, on written request.

Entry to the Annual General Meeting will be permitted only on presentation of share certificates or a bank confirmation stating the number of shares held.

The reception area will be open from 9.30 am to 9.59 am. Admission certificates and ballot papers will be distributed during this period. The doors of the Conference Centre will close punctually at 10.00 am.

For the Board of Directors

Jacques Hennessy
Chairman

For more information please contact Miss Helene Kyriakides
TEGE SA Registered Offices: c/o Notary Pascal Pitet, Rue du Théâtre 3, 1820 Montreux, Switzerland Tel: +41 21 963 4771 Fax: +41 21 963 4244

Cheung Kong Finance China Limited
(incorporated in the Cayman Islands with limited liability)
U.S. $350,000,000
Exchangeable Guaranteed Floating Rate Notes due 1999
guaranteed by Cheung Kong (Holdings) Limited
(incorporated in Hong Kong with limited liability)
and exchangeable into shares of Cheung Kong Holdings (China) Limited
(incorporated in Hong Kong with limited liability)
Notice is hereby given that for the Interest Period 15th May, 1996 to 15th August, 1996, the Notes will carry a Rate of Interest of 6 per cent. per annum. The Interest Amount per U.S. $250,000 Note will be U.S. $3,833.33 payable on 15th August, 1996.
Bankers Trust Company, London Agent Bank

RENFE
RED NACIONAL DE LOS FERROCARRILES ESPAÑOLES
US$500,000,000
Floating rate notes due 1998
Unconditionally guaranteed by THE KINGDOM OF SPAIN
In accordance with the provisions of the notes, notice is hereby given that for the six months interest period 17 May 1996 to 18 November 1996 the notes will carry an interest rate of 5.4375% per annum. Interest payable on 18 November 1996 will amount to US$279.43 per US$10,000 note and US$2,794.30 per US$100,000 note.
Agent: Morgan Guaranty Trust Company
JPMorgan

U.S. $100,000,000
DEN DANSKE BANK
(Den Danske Bank af 1871 Aktieselskab)
(Incorporated in the Kingdom of Denmark with limited liability)
Perpetual Subordinated Floating Rate Notes
May 17, 1996
CHASE

Capital One Master Trust
U.S. $300,000,000
Floating Rate Class A Certificates, Series 1995-1
For the interest period 15th May, 1996 to 17th June, 1996 the Certificates will carry an interest rate of 5.53969% per annum with an amount of U.S. $50.78 payable per U.S. $10,000 denomination and U.S. $507.81 per U.S. $100,000 denomination, payable on 17th June, 1996.
Union Bank of Switzerland London Branch Agent Bank
13th May, 1996

NOTICE TO THE HOLDERS OF
Map Investment N.V.
May 16, 1996

Notice of Early Redemption to Holders of Series G of
RSVP Westminster Limited
(Incorporated with limited liability in the Cayman Islands)
U.S. $154,000,000
Guaranteed Extendible Variable Rate Notes due 2005/2006
Paying Agents
Bankers Trust Company, 1 Appold Street, Broadgate, London EC2A 2HE
Bankers Trust Luxembourg S.A., P.O. Box 807, 14 Boulevard F.D. Roosevelt, L-2450 Luxembourg
Interest shall cease to accrue on the Bonds from 13th June, 1996.
Bankers Trust Company, London
17th May, 1996
Principal Paying Agent

CHEVY CHASE MASTER CREDIT CARD TRUST II
U.S.$138,000,000
Class A Floating Rate Asset Backed Certificates, Series 1995-B
U.S.$12,000,000
Class B Floating Rate Asset Backed Certificates, Series 1995-B
These Interest Accrual Rates and Coupon Amounts should be used when determining the interest payable on Monday, June 17, 1996.
Bankers Trust Company as Trustee
May 17, 1996

PETROFINA
On May 10, 1996, the Shareholders approved a gross dividend payment of 352 BEF (264 BEF net for one ordinary share and 299,20 BEF net for one VVPR share). The dividend will be payable as from May 23, 1996 against coupon nr 12 at: Banque Bruxelles Lambert ▪ Générale de Banque ▪ CGER-Banque ▪ Kredietbank ▪ Banque Paribas Belgique ▪ Banque Nationale de Paris ▪ Crédit du Nord ▪ Banque Int. à Luxembourg ▪ Banque Gén. du Luxembourg ▪ Commerzbank ▪ Deutsche Bank ▪ Dresdner Bank ▪ ABN-Amro Bank ▪ Crédit Suisse ▪ Société de Banque Suisse ▪ Union de Banques Suisses ▪ Credito Italiano ▪ Barclays Bank (Throgmorton St., London) ▪ Citibank N.A. USA.
PetroFina S.A. :52 rue de l'Industrie - B - 1040 Bruxelles

National Westminster Bank
(Incorporated in England with limited liability)
U.S.$500,000,000 Junior FRNs
Notice is hereby given that the Rate of Interest has been fixed at 6.0% and that the interest payable on the relevant Interest Payment Date November 18, 1996 against Coupon No. 25 in respect of U.S.$25,000 nominal of the Notes will be U.S.$770.83 and in respect of U.S.$5,000 nominal of the Notes will be U.S.$154.17.
May 17, 1996, London
By: Citibank, N.A. (Issuer Services), London Branch, Agent Bank

HEMISPHERES FUNDING CORPORATION
Guaranteed Asset Backed Floating Rate Notes, Series 1994-A
U.S.$300,000,000
Series 1994-A Notes 5.980000% US$4,584,666.67
This Interest Accrual Rate and Coupon Amount should be used when determining the interest payable on Friday, August 16, 1996.
Bankers Trust Company as Trustee
May 17, 1996

COMPANIES AND FINANCE: UK

Utility to make special dividend followed by big annual increase

Nat Power plans £1bn pay-out

By Patrick Harverson

National Power is expected on Monday to announce plans to return more than £1bn ($1.52bn) to its shareholders through a special dividend and a big annual dividend increase.

It is likely to be the largest pay-out to shareholders made by a UK company, comparable only to the £1bn special dividend TSB paid to shareholders in November prior to its merger with Lloyds Bank.

It will dwarf the amount PowerGen, its generating rival, intends to spend on a similar exercise to reward shareholders. It announced plans on Wednesday for a £400m share buy-back.

Both companies are handing over huge sums to shareholders because, having been prevented by the government from taking over regional electricity companies, they have access to large amounts of money which must be invested efficiently. Giving it to shareholders is seen in the City as the best use of funds.

National Power had agreed a £2.5bn bid for Southern Electric and PowerGen had lined up a £1.9bn bid for Midlands Electricity until Mr Ian Lang, the trade and industry secretary, blocked the deals last month on the grounds that they would hinder competition in the generation market.

Although National Power was going to finance part of its takeover of Southern with debt, it had also planned to use the proceeds from the sale of four power stations to Hanson, the industrial conglomerate. Under the terms of that deal, almost £400m of the total £1.7bn Hanson would pay National Power over 10 years was going to be paid up front. That money will now go towards the pay-out which analysts expect to total more than £1bn.

The final payout could disappoint some investors because the company had at one stage been considering returning between £1.5bn-£2bn to shareholders as a defensive measure against a possible takeover by Southern Company, the Atlanta-based utility.

However, last month the US group – which already owned a UK electricity distributor – was warned off the deal by the government, which said it would use its "golden share" in National Power to prevent anyone buying more than 15 per cent of the company.

Since the threat of a takeover was removed, National Power has been deciding how to structure the shareholder package. The bulk of the money is expected to be handed over in the form of a special dividend, which will be announced when the company publishes its annual results on Monday.

BTR shares fall 5% on warning

By Tim Burt

Shares in BTR fell almost 5 per cent yesterday after the industrial manufacturing group issued a profits warning following trading difficulties in its polymer and automotive sides.

The company said problems at its Taiwanese polymer plant and high start-up costs in its automotive sealings business would dent its first-half performance, with operating profits failing to match the £750m ($1.14bn) last year.

BTR shares fell 14p to 297p as more than 21m shares changed hands.

Most analysts cut their profits forecasts for the current year from about £1.47bn to £1.4bn. Some suggested the group might report profits of no more than £1.38bn, compared with £1.5bn for 1995.

Mr Ian Strachan, who took over as BTR chief executive earlier this year, blamed the difficulties mainly on volatile pricing and weak demand in the polymer business. The company, which raised £900m from disposals last year, is thought to be considering selling the polymer business.

He also predicted improved productivity from the sealings systems business, where output has been hampered by the high cost and time taken to install new production facilities.

Profits in sealing systems, part of BTR's transportation division, have fallen £15m since December.

The company also admitted that Varta, the lossmaking German battery manufacturer acquired for £56m last year, had yet to break even.

Mr Strachan maintained it was "good housekeeping" to keep shareholders informed of trading difficulties.

Ian Strachan: thought to be considering polymer disposal

BT moves to avoid Oftel pricing clash

By Alan Cane

The likelihood of a bruising clash later this month between British Telecommunications and Oftel,the industry regulator, receded yesterday, as the UK's dominant telecoms operator announced its best results for some years.

It emerged that BT is trying to persuade Oftel to adopt a price formula which could benefit residential and small business customers, avoiding the imposition of controls which it believes will unduly damage profitability.

Sir Peter Bonfield, BT chief executive, hoped Oftel would recognise the value of price controls for "some services and some groups of customers".

Sir Peter Bonfield said talks were continuing with the industry watchdog over the regulatory regime for the five years between 1997 and 2001.

Mr Don Cruickshank, Oftel director general, has suggested he will cap 60 per cent of BT's range of prices through a formula equal to the rate of inflation minus 5-9 percentage points. He also wishes to include a fair trading clause in BT's licence. BT has indicated it finds both conditions unacceptable; if a compromise cannot be found, a referral to the Monopolies and Merger Commission seems inevitable.

BT argues that prices for residential and small business customers alone should be capped at between, say, inflation minus 3-5 percentage points. The effect would be to shift the price burden towards big business customers.

Profits before tax in the year to March 31 came in at £3.02bn, ($4.59m), more than 13 per cent up and well ahead of market expectations. Taking into account a sharp decline in redundancy costs and other non-recurring factors, the profits rise was 6 per cent.

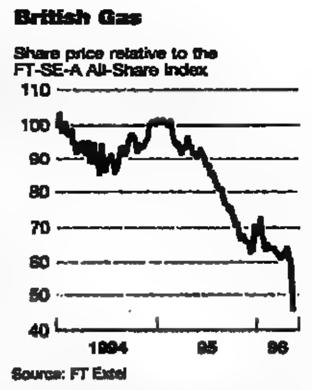
Turnover was 4 per cent up at £14.45bn.

Sir Peter said the focus was on developing the business at home and abroad. After the failure of merger talks between BT and Cable and Wireless, further investment was needed in the Asia Pacific area.

LEX COMMENT

British Gas

What goes down must come up. That, at any rate, has been the flawed hope of many investors who have doggedly hung on to their British Gas shares. As a bit of investment logic, it has proved disastrous. With the flow of bad news apparently unending, it is not surprising that so many are now finally losing patience and cutting their losses. But the shares have fallen far enough. For a start, yesterday's results are hardly relevant. What they show – that British Gas is getting hammered in the business market – relates entirely to British Gas Energy, the trading arm which is to be demerged. Valuing this side of the business is a highly speculative game, and the niceties of current performance pale into insignificance besides its £40bn worth of uneconomic gas contracts.



So what are the shares worth? Start with the initial 20-28 per cent price cuts recently proposed by the regulator for Transco, BG's pipeline business. They would leave Transco with free cash flow equivalent to 5.7p-9.7p a share. There is a reasonable case for taking a figure nearer the top of the range – say 8p – since the justification for the harshest cuts looks shaky. If all the free cash flow was paid as a dividend and put on the same yield as the water sector, Transco's value would be 155p. Add a conservative stab at the value of British Gas Energy – 25p – and you are already above last night's price of 174.5p, with the risks more likely to be on the upside. This may not amount to a strong buy recommendation, but if the shares continue to fall it will be a triumph of sentiment over the facts.

Clyde bids A$173m for Crusader

By Jane Martinson in London and Nikki Tait in Sydney

Clyde Petroleum, the UK-based independent oil company, yesterday bid A$172.8m (£91.4m) cash for Crusader, an Australian energy group.

Mr Malcolm Gourlay, executive chairman, said the deal was part of Clyde's strategy of expanding reserves through acquisition as well as exploration.

The offer of A$1.62-a-share represents a premium of 34 per cent over Crusader's share price of A$1.21 before the announcement. It consequently jumped 42 cents. Clyde's shares remained unchanged at 63p.

Mr Gourlay said he expected Crusader, which reported a post-tax loss of A$3.3m after abnormal items in 1995, to be profitable by the year end.

Triton Energy, the US oil producer and Crusader's biggest shareholder with 49.9 per cent, said it intended to accept the offer in the absence of any higher bid. Crusader's board said it believed the offer was "fair and reasonable".

The deal would increase Clyde's reserves by almost 5,000 barrels of oil equivalent a day and lengthen its reserve life by about eight months to just over eight years.

Pillsbury helps lift GrandMet

By Roderick Oram

A strong performance from Pillsbury in the US helped Grand Metropolitan overcome flat profits from spirits and a decline at Burger King to report modest growth in interim profits.

Pre-tax profits of £455m ($691.6m) for the six months to March 31, up 3.2 per cent, were at the top end of City forecasts. Underlying profits rose by nearly 10 per cent and the company told analysts it was considering share buy-backs. But the shares slipped 8p to 440p because the City had hoped for an even more upbeat view on spirits.

IDV, the drinks arm, turned in the best results the sector has seen for years with underlying volume growth of 5 per cent and price rises averaging 1.5 per cent.

Pillsbury's profits rose 47 per cent to £240m on turnover up 32 per cent at £1.87bn, reflecting a full contribution from the Pet Mexican food acquisition and 11 per cent organic growth.

British Gas hit by tougher times

By Patrick Harverson

The problems keep piling up for British Gas. Yesterday, just three days after the industry regulator proposed swingeing price cuts for its core pipeline business, the group revealed that lower gas prices and increased competition had pushed its industrial and commercial business into the red during the first quarter.

The losses meant that despite a £100m gain from increased sales during the extremely cold winter, net profits on a historical cost basis fell from £605m to £573m ($871m) well below analysts' forecasts. Earnings were 13.1p (13.9p).

The disappointing results spelled further bad news for beleaguered British Gas shareholders, who saw the share price fall another 14p to 174½p.

Since Ofgas, the regulator, announced its new price controls on Monday the shares have dropped 23 per cent.

British Gas has been the worst performing stock in the FT-SE 100 index over the past 16 months, losing 44 per cent of its value.

The company also admitted yesterday that services standards had fallen during the quarter because of the disruption caused by its restructuring programme.

Its ability to cover maintenance calls and response times to customer inquiries both deteriorated, it said.

Turnover rose slightly to £3.24bn (£3.15bn) but after costs that rose 4 per cent to £2.28bn, operating profits were virtually unchanged at £969m.

Interest costs doubled to £60m mainly due to restructuring-related spending which saw another 3,000 staff voluntarily leave. The workforce has been reduced by a third to 46,370 since 1993 and further cuts are likely. However, British Gas has warned that if it is forced to accept the regulator's price cuts for 1997-98 it may have to shed 10,000 staff.

Losses from the commercial business were £95m, against a small profit in the same quarter last year.

Transco, the pipeline business, showed an operating profit of £619m (£560m).

AEGON N.V., registered in The Hague, The Netherlands

FINAL DIVIDEND 1995

At the Annual General Meeting of Shareholders held on 15 May, 1996, the dividend for the fiscal year 1995 was fixed at NLG 2.37 per common share of NLG 1.00 par value. After deduction of the interim dividend of NLG 0.62 paid already, the final dividend amounts to NLG 1.75 per common share of NLG 1.00 par value.

The final dividend will be paid out entirely in cash, or in stock out of the tax-free paid-in surplus or if so requested out of the 1995 net income, in accordance with the shareholders' preference as previously indicated. The new shares will participate fully in the 1996 results and those of subsequent years.

Except for holders of New York shares, the final dividend will be payable as from 29 May, 1996 at the head offices of:
ABN AMRO Bank N.V., Bank Labouchere N.V., Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A., Internationale Nederlanden Bank N.V., MeesPierson N.V., Kredietbank N.V., Brussels, Kredietbank S.A. Luxembourgeoise, Luxemburg, Schweizerischer Bankverein, Schweizerische Kreditanstalt, Schweizerische Bankgesellschaft, Zürich, Basel and Geneva, Deutsche Bank A.G., Düsseldorf, and J. Henry Schroder Wagg & Co. Ltd., London.

For shareholders who have elected for payment entirely in cash, dividend coupon no. 8 will pay NLG 1.75 less a 25% dividend tax.

Holders of common shares who have elected for payment in stock will receive one common share of NLG 1.00 par value upon surrender of 51 coupons no. 8. Coupons must be surrendered to N.V. Nederlandsch Administratie- en Trustkantoor, Herengracht 420, 1017 BZ Amsterdam, The Netherlands.

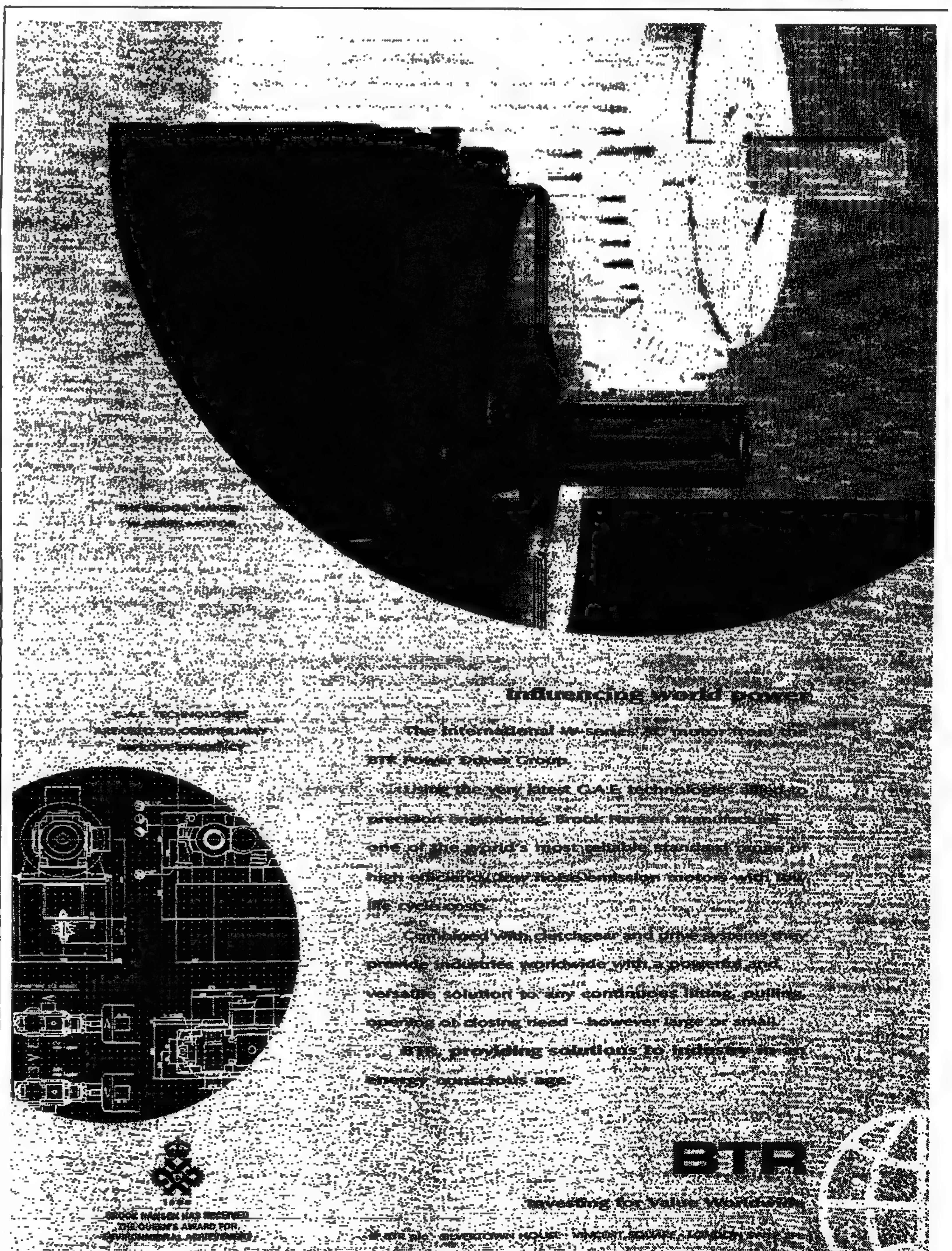
Rights to the dividend payment in cash or stock will be made available to holders of CF Certificates through those institutions which have been acting as custodians of the coupon sheets for their shares at the close of business on 15 May, 1996.

The published commission rates will be paid to members of the Amsterdam Stock Exchange to enable them to exchange dividend coupon no. 8 for common shares without charging commission to shareholders.

The Executive Board

The Hague, 17 May, 1996
50 Mariahoeveplein

AEGON
Insurance Group



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Capitalized terms used but not defined herein have the meanings assigned to them in the Fiscal Agency Agreement dated as of March 4, 1993 pursuant to which the above Securities have been issued.

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Banco Francés del Río de la Plata S.A. — Reconquista 199, 1003 Buenos Aires, Argentina. Name: Gustavo Szajnberg. Telephone No: +54-1-346-4315. Facsimile No: +54-1-346-4307

The Bank of New York — London Branch, 46 Berkeley St., London W1X 6AA, England. Name: Trevor Blewer. Telephone No: +44-171-322-6327. Facsimile No: +44-171-322-6044

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May 14, 1996

COMPANIES AND FINANCE: UK

Eastern maiden lifts Hanson

Energy gains help offset declines elsewhere, reports Tim Burt

Chairman	William Landuyt
Chief exec.	William Landuyt
Turnover (£m)	955
Operating profit (£m)	149
Debt allocation (£bn)	1.3-1.4

Chairman	Derek Bonham
Chief exec.	Gareth Davis
Turnover (£m)	1,861
Operating profit (£m)	174
Debt allocation (£bn)	1.0-1.2

Chairman	Derek Bonham
Chief exec.	John Devaney / Al Engelhardt
Turnover (£m)	1,526
Operating profit (£m)	273
Debt allocation (£bn)	1.0-1.2

Chairman	Lord Hanson
Chief exec.	Andrew Dougal
Turnover (£m)	1,020
Operating profit (£m)	70
Debt allocation (£bn)	0.1-0.2

Interim results six months to 31-3-96. Source: company. Debt allocation: based on Hanson net debt forecast Sep 6 1996

Hanson yesterday reported a 9 per cent increase in first half operating profits after unexpectedly high contributions from Eastern offset sharply reduced profits in the chemicals business.

A £177m maiden profit from Eastern, the regional electricity company acquired last year for £2.5bn, helped lift operating profits from £745m to £811m on increased sales of £6.19bn (£5.87bn) in the six months to March 31.

After stripping out the flattering effects of the power business and the £122m profits from discontinued businesses, underlying profits fell from £571m to £510m.

Mr Derek Bonham, chief executive, blamed the downturn on a disappointing performance in the chemicals division, to be renamed Millennium Chemicals later this year.

Profits fell from £267m to £149m amid sluggish demand and a sharp fall in polyethylene prices.

Profits at Quantum, the division's US polyethylene producer, fell from £213m to £84m following heavy destocking in the first quarter.

Although chemical prices have stabilised in recent months, Hanson warned that Quantum's full-year profits were unlikely to match the £451m achieved last time.

Nevertheless, its weak performance was offset by improved contributions of £53m (£44m) from SCM Chemicals and £12m (£10m) from Glidco, the speciality chemicals business.

The energy business, by comparison, reported sharply improved profits of £273m (£98m) as cold weather lifted Eastern's sales.

Its profit contribution offset a flat first half at Peabody, Hanson's North American coal mining arm. Reduced demand in the south-western US clipped Peabody's operating profits to £96m (£98m).

Mr Bill Landuyt, who heads Hanson's US businesses, said Peabody was seeking $100m (£65.7m) cost savings this year to help lift margins.

"We have already achieved $50m and should easily complete the remainder before the demerger."

The company also vowed to reduce working capital, which rose from £189m to £396m – mainly because of increased spending and price competition at Eastern and Imperial Tobacco.

The rise contributed to a negative operational cash flow of £377m, against a positive figure of £101m last time.

Hanson ended the half year with net debts of £4.98bn (£2.22bn). Mr Bonham predicted year-end debts would fall to about £3.6bn following the group's recent disposal programme.

Imperial Tobacco, meanwhile, reported profits up from £160m to £174m on sales of £1.86bn (£1.84bn). The improvement was helped by higher overseas and duty-free profits, and an increased share of the UK cigarette market.

The building materials and equipment division saw profits dip from £75m to £70m as cutbacks in the UK roadbuilding programme hit its ARC aggregates business.

The division, which is to retain the Hanson name following the demerger, saw profits in the bricks business fall from £15m to £10m. Its small electrical unit also reported profits down at £8m (£9m).

These modest contributions were offset by increased gains of £23m (£15m) in the materials handling arm.

Mr Bonham concluded: "The strong market of our principal companies places them in a powerful position to continue their growth as independent businesses following the demerger."

NEWS DIGEST

CTR restructure wins support

Central Transport Rental, the trailer rental group formerly known as Tiphook, plans a financial restructuring which involves swapping £213m ($323.8m) of debt, representing 45 per cent of borrowings, for equity.

Mr Jim Bennett, managing partner of Bennett Restructuring Fund in New York, one of the biggest shareholders with more than 10 per cent, said: "The structure makes sense and it gives the company a chance to go out and buy new equipment. It could have been a lot worse for shareholders."

However, he said he had not yet made a final decision on the proposals, which could leave existing shareholders with only 15 per cent of the equity.

Analysts said that CTR's other large shareholder, Appaloosa Management of New Jersey in the US, which owns more than 10 per cent of the shares and a large slice of the bonds, was also likely to vote in favour. Appaloosa is understood to have already approved the proposals in its capacity as a bondholder. Appaloosa refused to comment.

Mr Ian Clubb, CTR's executive chairman, said that the group hoped to have concluded the sale of its rail division by next week for a consideration of about £26m.

The group also won a £3.1m court case yesterday, after the Court of Appeal rejected a claim by Darwen Leasing that it should receive the proceeds from the group's executive jet.

Mr Clubb said that the refinancing proposals would leave the group with more than £110m to invest in new trailers. The group intended to reduce its fleet in the UK and increase its activity in the contract hire market.

Geoff Dyer

Glaxo Wellcome shares jump

Glaxo Wellcome, the UK's largest drugs company, yesterday delivered a better than expected report on sales growth for the first four months of the year sending its share price up 47½p to 836½p.

Glaxo said sales rose 11 per cent in the four months to April 30. Trading profit growth was "well in excess of sales growth" thanks to the cost savings arising from the takeover by Glaxo of Wellcome just over a year ago.

Sir Colin Corness, chairman, told the company's annual meeting that the sales growth had come in spite of a 10 per cent fall in sales of Zantac, the ulcer drug that was the world's biggest selling medicine in 1995.

He reaffirmed that Zantac sales could be hit by competition after patent expiries in some markets, including the US, from mid-1997.

Daniel Green

Compass doubles to £67.8m

Compass, which has grown by acquisition to be one of the world's biggest contract catering groups, more than doubled interim profits to more than £1bn ($1.52bn).

"We have achieved all our objectives," said Mr Francis Mackay, chief executive.

The group had built a strong market presence in the UK, US and Europe. The emphasis would now be on organic growth.

Pre-tax profits rose from £31m to £67.8m for the six months to the end of March. The results include profits of £3.2m (£7.9m) and sales of £16m (£35.1m) from the hospital division, sold to a management buy-out in December for £178.8m.

Mr Mackay said that the integration of Eurest International, acquired last summer for £590m, was progressing well. Eurest contributed £23.5m to profits in its first full half – in line with expectations. Last month the group won control of Eurest France in the face of a rival offer from Sodexho, the leading French caterer that also owns Gardner Merchant of the UK.

David Blackwell

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Dividends: Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Alvis	6 mths to Mar 31	66.1	(37.3)	5.06	(1.8)	8	(0.9)	1	Sept 9	0.75	-	2
British Gas	3 mths to Mar 31 #	3,244	(3,149)	831	(854)	10.7	(11.8)	-	-	-	-	14.5
BT	Yr to Mar 31	14,446	(13,893)	3,019♠	(2,662♠)	31.6	(27.8)	11.25	Sept 16	10.65	18.7	17.7
Burton	6 mths to Mar 2	1,090	(1,036)	88.1	(67♥)	4.5	(3.6)	1.15	July 26	1	-	2.2
Compass	6 mths to Mar 31	1,243	(740.3)	67.8♥	(31)	17.3†	(9.4)	2.75	July 29	2.45	-	7.6
Concentric	6 mths to Mar 31	74.7	(72.4)	5.34	(5.17)	6.58	(6.37)	2.05	July 1	1.95	-	6.61
Cox Insurance	Yr to March 31	-	(-)	1.3	(-)	3.6	(-)	-	-	-	-	-
Culver	Yr to Dec 31	60.2	(46.4)	0.396L♠	(0.765)	0.5L	(1.03)	0.17	Nov 14	0.17	0.3	0.3
Ferguson Intl	Yr to Feb 29 ★	206.4	(174.6)	1.11L♠	(12.84)	11.9L†	(23.5)	8.75	July 10	8.75	13.25	13.25
Fine Art Devs	Yr to Mar 31	394.8	(340.1)	53.2♥	(38.7)	49.86	(32.6)	12.8	July 5	11.6	16.5	15.3
Grand Metropolitan	6 mths to Mar 31	4,551	(3,905)	449♠	(459♥)	14.4	(13.6)	5.85	Oct 7	5.5	-	14.9
Greenway	Yr to Mar 31	11.9	(10.9)	0.75	(1.82)	2.58	(6.62)	1.5	July 16	1.5	2	2.5
Greycoat	Yr to Mar 31	37.6	(37.4)	0.3L♠	(6.5)	0.5L†	(5)	0.8	-	0.6	0.8	0.6
Hanson	6 mths to Mar 31	6,190	(5,873)	794♥	(623♠)	10.9	(9.1)	3♦	July 1	3	-	12
MAM	Yr to Mar 31	286.3	(255)	140.5	(111.5)	53	(43.1)	29	July 3	21.5	35‡	26
Plantation & Gen	Yr to Dec 31	42.6	(47.7)	5.4♥	(3.9♥)	8.6	(6.6)	1.8⚘	July 31	1.5	3	2.5
Scottish Radio	6 mths to Mar 31	13.3	(8.49)	3.24	(2.46♥)	8.7†	(7)	2.5	July 5	2.1	-	6.5
Titan Products	Yr to Jan 31	91	(80)	16.6	(12.5)	20.24	(15.96)	6.5	July 26	5.75	10	9
Wakebourne	Yr to Dec 31	36.7	(35.3)	3.38L♠	(1.87)	12.2L	(5.7)	-	-	-	-	-
Western Selection	6 mths to Mar 31	-	(-)	0.054	(0.024)	0.25	(0.13)	nil	-	nil	-	nil

Investment Trusts		NAV (p)		Attributable earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
American Opportunity	6 mths to Mar 31	205.9	(196.4⚘)	0.026L	(0.088L)	0.35L	(0.91L)	-	-	-	-	-
Fleming Inc Growth		-		-		-		2.25‡‡	July 8	2.25	-	9.48
Overseas	6 mths to Mar 31 ★	474.7	(385.4)	0.476	(0.440)	1.25	(1.18)	0.95	June 28	0.9	-	3.5

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. #Current cost. ♠After exceptional charge. ♥After exceptional credit. †On increased capital. ★Comparatives restated. ♦Second interim; makes 6p to date. ‡Excludes 40p special. ⚘Foreign income dividend of 1p and conventional payment of 0.8p. ⚘At September 30. ‡‡First interim.

AMGOLD

Anglo American Gold Investment Company Limited
(Incorporated in the Republic of South Africa)
Registration No. 05/03084/06

Abridged audited results for the year and final dividend

(R million)	31.3.96	31.3.95
Investment income	346	
Interest earned	46	
Surplus on realisation of investments	207	
	599	
Administration expenses	7	
Cost of prospecting	26	
Grants - educational and welfare	7	
Net income before taxation	559	
Taxation	11	
Net earnings	548	
Earnings per share - cents		
- earnings excluding surplus on realisation of investments	1,412	
- earnings including surplus on realisation of investments	2,269	
Dividends		
R million	338	
cents per share		
- interim	800	
- final	600	
Market and directors' valuations of investments		
Listed - market value	7,488	
Unlisted - directors' valuation	77	
Loans	27	
	7,592	
Net asset value		
- R million	7,922	
- cents per share	32,806	

DIVIDEND
Dividend No. 96 of W cents per share has been declared payable on Friday, 5 July 1996 to shareholders registered at the close of business on Friday, 31 May 1996. The register of members will be closed from Saturday, 1 June 1996 to Saturday, 8 June 1996. The full conditions relating to the dividend may be inspected at the Head Office and London Office of the company and at the offices of its transfer secretaries.

Head Office: 44 Main Street, Johannesburg 2001, South Africa
London Office: 19 Charterhouse Street, London EC1N 6QP

AAC

16 May 1996

The annual report will be posted on or about 21 June 1996.

Issue Date: June 18 1996
Effective Date: Friday 10 May 1996

Barclays de Zoete Wedd Warrants Limited
10,000,000 Warrants relating to shares of AB Volvo
Guaranteed by
Barclays Bank PLC
(the "Warrants")

ISIN Number: KYG079862909
Common Code: 5442494

In accordance with term 6 of the Warrants, notice is hereby given to holders of the Warrants that, following the Bonus Issue to Volvo AB shareholders of 1 Swedish Match share for every Volvo AB share held, the Strike price of the Warrants has been adjusted to SEK131.55 with effect from Friday 10 May 1996.

Warrantholders who require further information should contact BZW Sales Desk on (+ 44) 171 956 3290.

By: Barclays de Zoete Wedd Securities Limited as Principal Warrant Agent.

17 May 1996

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- Price Outlook for Aluminium
- Future Sources of Cheap Power and Their Impact on Siting Decisions
- Satisfying the Automotive Customer's Demands
- Developing the Next Generation of Aircraft — What Role will Aluminium Play?
- Growing the Market in Aluminium for Railway Rolling Stock and Bus Construction

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COMMODITIES AND AGRICULTURE

Gold shares attract Far East buyers

By Kenneth Gooding, Mining Correspondent

Gold bugs in the Far East are at last begining to buy shares in gold mining companies as well as the precious metal itself, according to Mr Graham Birch of Mercury Asset Management which manages £1.6bn in specialist mining and metals funds.

This would have important consequences both for share prices and for the hedging practices of the gold mining groups, he suggested yesterday during a seminar organised by the London Bullion Market Association.

Mr Birch cited the example of the Japanese, who had traditionally never been interested in gold companies in spite of their affection for the physical metal. However, the Mercury Gold Metal Open Fund, launched by his organisation and Nomura, the Japanese bank, in February last year, had so far attracted the equivalent of US$650m. Other funds had been set up in Japan so that very soon the total invested in gold companies there would reach $1bn.

He argued: "The only reason people in the Far East are buying gold shares is because of the gearing that gives them to any rise in the gold price. So they will buy shares only in companies that have done little hedging so that they can realise the full potential of any rise".

Mr Birch pointed out that the gold shares market was a very small one - the total market capitalisation of all gold mining companies was only about US$50bn.

The search by Far Eastern investors for companies that had not hedged future production was causing a two-tier market in the shares to evolve. He suggested this would alter the cost of capital available to the gold mining industry. "Those that don't hedge will find it cheaper to raise equity for new mining ventures." That might lead to the industry indulging in far less hedging and, he insisted, that would be good for the gold price.

● Although at first sight it appeared that central banks and other official organisations had about 35,000 tonnes of gold in their vaults ready to provide liquidity to the physical market, in reality there was only about 3,500 tonnes, Mr Stewart Murray, managing director of the Gold Fields Minerals Services consultancy group, suggested at the seminar.

According to GFMS's calculations, the official sector had provided about 90 per cent of the gold market's liquidity last year, equivalent to some 2,400 tonnes.

This was only 7 per cent of total official sector reserves but only a relatively few central banks were "active mobilisers" of the gold in their reserves. These banks had 12,000 tonnes in their vaults. This suggested 31 per cent of the available central bank gold had been made available last year.

Mr Murray said the liquidity picture was even less reassuring when it was realised that developing country banks were the most active lenders to the market, and some 40 per cent of their reserves had been lent last year. So, "only about 10 per cent of official gold reserves (that is 3,500 tonnes) come into the easily mobilised category.

"Potential liquidity is still large but in practice it may be much more limited".

Australian minister pins wool industry hopes on price rise

By Nikki Tait in Sydney

Representatives of Australia's troubled wool industry yesterday agreed to continue with the fixed schedule for sales of stockpiled wool until the middle of 1997.

But, after a "crisis" meeting with industry officials in Canberra, Mr John Anderson, the new federal primary industries minister, acknowledged that the industry was heading for "collapse" if there was no improvement in returns for growers. He said that the meeting had agreed that a price of A$6.10 ($4.70) a kilogram was the minimum needed for growers to cover basic costs.

The "eastern indicator" price is currently just under A$5.90 a kilogram.

"I think you will see a serious collapsing if we don't see an improvement in prices over the next six months," Mr Anderson said, although he added that he was hopeful of seeing the price recover to over A$6 cents in the next 12 months.

"We're not promising anything dramatic . . . but there is a broad view that at some stage over the next 18 months or so we will see a substantial price spike," he commented.

The decision to continue the fixed release scheme, which sees Wool International - the statutory body charged with disposing of the wool stockpile - sell regularly into the market, reflected a "total acceptance that there was no going back", said Mr Anderson.

The stockpile, which was built up under the previous guaranteed price regime, now stands at about 2.36m bales - or about half its peak level. However, many growers have complained that WI's steady feed into a falling market has compounded price problems.

There has been particular anxiety over WI's practice of selling forward. However, Mr Anderson claimed that yesterday's meeting recognised that "there were good reasons for maintaining Wool International's approach of selling as far forward as possible to avoid being placed in the position of having to sell large amounts of stock at the end of any particular quarter".

He added that there would be a further round table meeting, to consider how to handle the situation after the middle of 1997, in August.

BSE 'to boost EU cereals demand'

By Deborah Hargreaves

Demand for cereals across the European Union could increase by up to 1.4m tonnes because of the switch away from beef to other meats as a result of the crisis over bovine spongiform encephalopathy, according to initial research findings by Produce Studies Group, a food consultancy.

The group expects a long-term shift towards greater consumption of pigmeat increasing the need for cereals as feed at a time when stocks are at the lowest point since the second world war.

Mr Tony Houghton, project manager, stressed that the full results of the group's economic model would not be available until June but said "it certainly suggests that, for some, there may well be a silver lining [for cereal farmers] to the BSE cloud".

The group's model is based on changing consumption patterns in line with rising and falling prices. "Some of these trends were in place before the BSE crisis and it just accelerated them. For example, red meat consumption in Germany has been dropping for some time," Mr Houghton said.

The findings indicate that beef consumption, which dropped by up to 50 per cent in some parts of the EU, will eventually settle down at 15 per cent below pre-crisis levels. This would have the effect of boosting non-beef meat consumption by 1m tonnes across the EU.

In the EU as a whole, pigmeat would be the biggest beneficiary of the drop in beef sales with an increase of almost twice that of poultry.

In the UK, however, the situation is reversed, with poultry sales expected to rise by 70,000 tonnes and pork by 40,000 tonnes. Produce Studies expects mutton and lamb consumption to rise by 20,000 tonnes.

Europe's oyster farmers hope for calmer waters

Alastair Guild on an industry that is having to contend with fickle weather, erratic buyers and, now, a mystery disease

Hebridean oyster farmer Andrew Abrahams looks wistfully out of his kitchen window at the notoriously fickle Western Isles weather as it unfolds across the sound. He has just received two telephoned orders for a total of 50,000 oysters to be met within the following 10 days, one of his largest single orders in 20 years of oyster farming.

What Mr Abrahams most needs now is a settled period of high pressure and winds from the north. With the spring tide in his favour he could be confident of collecting and grading - for shape and size - that order from the estuary bed. All the indications, however, point to a period of low pressure and southerly winds.

Mr Abrahams knows that, after several winter months without a sale and given the increasingly international nature of the business, this is an order he can ill afford to miss, whatever the weather.

Thousands of oysters that he laid down three years ago will very soon be embarking on a new season of rapid growth, making them too large to meet the supermarkets' exacting grading standards. A satisfied customer this time would surely lead to repeat orders, enabling him to at least recover his investment in this mature stock.

The company buying from him will itself have supermarket deadlines to meet. Let down once, it would almost certainly go elsewhere the next time, possibly to Ireland. Though unable to beat Hebridean oysters on quality, Irish growers increasingly have the volume.

World production of rock oysters (crassostrea gigas) last year totalled 862,000 tonnes - a tonne represents between 12,000 and 14,000 oysters, depending on grade). Korea and Japan are the largest producers, with 280,000 tonnes and 236,000 tonnes a year respectively. These are sold mostly in Asia. The European market is dominated by France, the world's third largest producer with 130,000 tonnes a year.

There are 1,000 farms involved in oyster and mussel production in France, employing 10,000 people. With the spread of disease some years ago, French production of the now premium-priced "native" flat oysters has fallen dramatically from 15,000 tonnes to just 2,000, with French producers switching almost entirely to growing rock, known also as Pacific, oysters.

The UK currently produces 1,000 tonnes of rock oysters, amounting to a saleable production of 10m oysters. There has been a large increase along the Irish coast, where production of rock oysters began in 1973 and reached 2,000 tonnes last year.

There are at present some 200 farms in production in Ireland.

Growth in French rock oyster production appears to have halted, however. The present domestic market - France consumes over 90 per cent of the oysters it produces - is thought to have reached saturation. The nation-wide transport strike in France around Christmas last year left an enormous glut of French oysters that is only now clearing - in France 50 per cent of oysters are consumed during December. This has had a significant impact on exports to France.

In the longer term, as the majority of French consumers of oysters are now in their 40s and 50s, the French industry would be content to maintain consumption at present levels. It has a public education campaign aimed at attracting younger consumers and is developing easier ways for the consumer to open an oyster.

A herpes-like virus is causing concern about French seed stocks

Prices for rock oysters have been falling, to as low as £400 a tonne landed in France last winter, a fall attributed to the strike, the general recession in France and the trend towards the supermarket trade, which is looking for smaller oysters.

A more serious constraint on French expansion is the limited amount of suitable growing space on the coast. Oysters already face overcrowding, competition in some areas with mussels and in others with sprats for phytoplankton.

France has been a major supplier of seed, along with hatcheries in the UK and the Channel Islands. Last year Ireland alone was thought likely to import some 100m seed oysters this year to meet a projected growth in production to 5,000 tonnes. Now the identification of a herpes-like virus has prompted public accusations from shellfish experts across Europe about the health status of some gigas stocks in France.

The French first reported mortalities in 1994 on the Brittany coast. Soon afterwards, the Portuguese, Spanish and Dutch growers described heavy casualties among oysters originating from imported French stock. The Irish authorities advised growers to exercise caution in the selection of juvenile oysters for on-growing, but Ireland is now reporting deaths of gigas also.

No definitive scientific link has yet been established between deaths of French oysters and the virus. The French authorities admit there is a possible link, though overcrowding and high temperatures, they say, are part of the problem.

UK growers have been advised by the UK Shellfish Association not to import French seed and, to date, have not suffered any untoward mortalities, even with last year's hot summer.

Mr Abrahams, who imports his seed from the Channel Islands, met his latest orders - with help from other islanders - and has been asked to supply as many oysters as he can over the next two months. Smaller oyster growers, with extensive, low density production are feeling the pressure, nevertheless, of the increasingly erratic, just-in-time ordering policy of the supermarkets. The downward pressure on prices is growing.

Yet high density, intensive oyster production seems most likely to be a factor in the spread of disease. That is the irony, says Mr Abrahams.

The Shellfish Association of Great Britain holds its annual conference at Fishmongers Hall in London next Tuesday and Wednesday. Information from the association's director. Tel: 0171 283 8305.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE
(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1600.5-01.5	1634-35
Previous	1611-12	1645-46
High/low		1638/1626
AM Official	1602-03	1634.5-35
Kerb close		1629-30
Open int.	218,991	
Total daily turnover	38,384	

■ ALUMINIUM ALLOY ($ per tonne)

Close	1335-45	1376-80
Previous	1348-55	1385-90
High/low		1380
AM Official	1340-45	1380-82
Kerb close		1375-80
Open int.	5,326	
Total daily turnover	1,982	

■ LEAD ($ per tonne)

Close	852-3	849.5-50.5
Previous	845.5-6.5	843-3.5
High/low	847	856/843
AM Official	848.5-7	844-6
Kerb close		853-4
Open int.	36,667	
Total daily turnover	6,162	

■ NICKEL ($ per tonne)

Close	7975-80	8080-85
Previous	8050-60	8155-60
High/low		8190/8085
AM Official	8010-15	8105-15
Kerb close		8180-85
Open int.	42,152	
Total daily turnover	12,049	

■ TIN ($ per tonne)

Close	6465-75	6490-95
Previous	6510-20	6525-30
High/low	6475/6470	6510/6350
AM Official	6470-75	6490-500
Kerb close		6385-90
Open int.	18,533	
Total daily turnover	5,191	

■ ZINC, special high grade ($ per tonne)

Close	1048-49	1074.5-75
Previous	1047-48	1074-74.5
High/low	1044	1076/1071
AM Official	1044-45	1071-71.5
Kerb close		1076-77
Open int.	72,527	
Total daily turnover	9,234	

■ COPPER, grade A ($ per tonne)

Close	2740-45	2849-50
Previous	2750-55	2857-58
High/low	2760/2758	2862/2841
AM Official	2759.5-60.5	2857-58
Kerb close		2844-45
Open int.	177,284	
Total daily turnover	66,017	

■ LME AM Official £/$ rate: 1.5136
LME Closing £/$ rate: 1.5130

Spot: 1.5135 3 mths: 1.5113 6 mths: 1.5094 9 mths: 1.5079

■ HIGH GRADE COPPER (COMEX)

	Sett price	Day's change	High	Low	Vol	Open int
May	128.05	-0.10	129.00	127.50	758	8,015
Jun	126.05	-0.10	126.50	126.00	134	3,268
Jul	123.65	-	124.50	123.30	5,324	25,511
Aug	121.45	+0.05	121.80	121.50	61	744
Sep	119.25	+0.10	119.70	119.80	228	5,150
Oct	117.65	+0.10	-	-	6	483
Total					6,588	82,117

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold(Troy oz)	$ price	£ equiv	SFr equiv
Close	391.80-392.20		
Opening	392.40-392.80		
Morning fix	392.00	259.14	492.18
Afternoon fix	391.90	258.90	493.60
Day's High	392.40-392.80		
Day's Low	391.80-392.00		
Previous close	392.50-392.90		

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	4.62	6 months	4.25
2 months	4.53	12 months	3.81
3 months	4.47		

Silver Fix	p/troy oz.	US cts equiv.
Spot	354.90	537.50
3 months	359.60	543.80
6 months	364.35	550.40
1 year	374.20	563.95

Gold Coins	$ price	£ equiv.
Krugerrand	391-394	259-261
Maple Leaf	402.55-405.05	
New Sovereign	91-94	60-62

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jun	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Apr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Jun	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dec	138.95	-1.85	139.00	138.00	-	577
Total					1,887	9,284

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
May	534.1	-3.4	535.0	533.0	182	215
Jun	535.8	-3.5	-	-	-	3
Jul	537.7	-3.5	542.0	536.0	8,706	66,291
Sep	543.0	-3.4	548.5	541.5	252	14,527
Dec	550.7	-3.3	553.5	549.0	126	9,824
Mar	558.4	-3.1	558.5	558.5	7	3,556
Total					9,281	98,647

ENERGY

■ CRUDE OIL NYMEX (42,000 US galls. $/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Jun	20.55	-0.93	21.51	20.30	34,663	59,337
Jul	19.56	-0.85	20.47	19.32	33,097	87,993
Aug	18.97	-0.68	19.67	18.82	7,218	56,551
Sep	18.48	-0.62	19.04	18.30	6,282	37,464
Oct	18.28	-0.56	18.56	18.20	2,672	22,009
Nov	18.13	-0.48	18.45	18.00	524	16,992
Total					102,499	435,859

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Jun	18.56	-0.74	18.97	18.50	5,652	12,187
Jul	17.87	-0.66	18.28	17.70	20,301	91,892
Aug	17.44	-0.57	17.76	17.28	4,070	25,774
Sep	17.18	-0.43	17.47	17.08	799	12,225
Oct	17.02	-0.37	17.35	16.90	581	8,216
Nov	17.07	-0.15	17.07	17.07	415	5,099
Total					33,258	192,065

■ HEATING OIL NYMEX (42,000 US galls; c/US galls)

	Latest price	Day's change	High	Low	Vol	Open int
Jun	53.00	-1.81	54.85	52.65	9,260	18,896
Jul	51.70	-1.65	53.50	51.45	5,462	18,385
Aug	51.60	-1.36	53.00	51.30	2,145	13,811
Sep	51.90	-1.30	52.60	51.80	1,703	9,176
Oct	52.50	-1.25	53.20	52.30	220	4,784
Nov	53.00	-1.30	54.00	52.90	207	5,200
Total					21,187	98,898

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Jun	164.00	-2.75	165.25	162.50	6,265	15,024
Jul	160.25	-3.75	162.25	159.50	3,781	8,914
Aug	159.00	-3.75	161.25	158.00	1,578	8,469
Sep	159.50	-3.50	161.25	159.00	454	3,833
Oct	159.75	-3.50	160.50	159.75	84	1,880
Nov	159.75	-3.50	-	-	-	1,417
Total					15,015	48,922

■ NATURAL GAS NYMEX (10,000 mmBtu.; $/mmBtu.)

	Latest price	Day's change	High	Low	Vol	Open int
Jun	2.295	-0.004	2.320	2.275	6,180	24,340
Jul	2.326	+0.004	2.340	2.295	2,775	26,376
Aug	2.320	+0.010	2.325	2.295	1,009	16,340
Sep	2.280	+0.015	2.285	2.265	1,008	15,492
Oct	2.270	+0.008	2.290	2.255	758	11,814
Nov	2.295	-	2.320	2.290	283	8,185
Total					14,442	147,884

■ UNLEADED GASOLINE
NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Jun	63.90	-3.30	67.20	63.50	13,877	29,480
Jul	61.65	-2.70	64.40	61.00	6,887	13,478
Aug	59.40	-2.10	61.15	58.80	1,813	14,729
Sep	57.30	-1.45	58.50	57.00	530	3,746
Oct	55.50	-0.25	55.50	55.50	1	1,506
Nov	52.90	-1.00	53.20	52.90	51	1,043
Total					23,049	68,485

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nov	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ BARLEY LCE (£ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nov	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nov	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

	Sett price	Day's change	High	Low	Vol	Open int
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ SOYABEAN MEAL CBT (100 tons; $/ton)

	Sett price	Day's change	High	Low	Vol	Open int
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Oct	248.5	+0.9	248.8	246.7	228	3,594
Dec	248.7	+0.6	249.5	246.8	2,631	17,591
Total					16,888	94,481

■ POTATOES LCE (£/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Jun	225.0	-	-	-	-	-
Nov	82.5	-	-	-	-	-
Mar	110.0	-	-	-	-	-
Apr	123.5	-7.3	129.9	124.5	89	1,036
May	141.0	-	-	-	-	-
Total					89	1,036

■ FREIGHT (BIFFEX) LCE ($10/index point)

	Sett price	Day's change	High	Low	Vol	Open int
May	1390	+1	1385	1385	6	669
Jun	1288	-17	1285	1275	47	581
Jul	1239	-25	1255	1230	224	2,020
Oct	1347	-14	1345	1340	105	1,089
Jan	1375	-8	1370	1370	21	52
Apr	1390	-5	-	-	-	32
Total					403	4,475

	Close	Prev
BFI	1425	1442

FUTURES DATA
All futures data supplied by CMS.

SOFTS

■ COCOA LCE (£/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ COCOA CSCE (10 tonnes; $/tonnes)

	Sett price	Day's change	High	Low	Vol	Open int
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ COCOA (ICCO) (SDR's/tonne)

	Price	Prev. day
May 15	[illegible]	[illegible]
Daily	[illegible]	[illegible]

■ COFFEE LCE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nov	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ COFFEE (ICO) (US cents/pound)

	Price	Prev. day
May 15		
Comp. daily	112.56	112.16
15 day average	112.17	112.17

■ WHITE SUGAR LCE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Aug	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Oct	10.90	+0.07	10.97	10.50	3,172	38,225
Mar	10.70	+0.09	10.70	10.60	2,168	27,233
May	10.68	+0.09	10.64	10.57	573	8,089
Jul	10.66	+0.09	10.59	10.57	201	4,657
Oct	10.60	+0.09	10.51	10.46	110	1,509
Total					16,600	133,108

■ COTTON NYCE (50,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	81.06	-1.44	82.30	80.95	4,084	23,308
Oct	81.05	-1.33	82.18	80.95	330	4,004
Dec	80.67	-1.26	81.80	80.50	1,882	27,608
Mar	81.53	-1.17	82.65	81.50	19	3,334
May	82.10	-1.25	83.00	82.10	8	1,540
Jul	82.43	-1.32	82.80	82.40	-	635
Total					6,128	82,728

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	119.00	+2.45	120.85	117.20	2,474	12,327
Sep	119.25	+1.80	120.20	117.20	804	4,880
Nov	118.50	+1.20	117.50	115.75	113	1,271
Jan	118.00	+0.70	118.00	113.80	50	3,591
Mar	118.00	+0.70	118.75	115.80	7	283
May	118.40	+0.60	118.50	117.95	-	143
Total					3,448	22,551

VOLUME DATA
Open Interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME and CSCE are one day in arrears. Volume & Open Interest totals are for all traded months.

INDICES

■ REUTERS (Base: 18/9/31=100)

May 16	May 15	month ago	year ago
2151.2	2147.7	2111.0	2323.1

■ CRB Futures (Base: 1967=100)

May 15	May 14	month ago	year ago
260.19	260.22	256.44	231.58

■ GSCI Spot (Base: 1970=100)

May 15	May 14	month ago	year ago
210.42	210.74	213.40	182.23

Wool

The sharpest rise in Australian wool prices for 5 years on May 15 took many traders by surprise. There is still uncertainty about how firmly based the recovery is and buyers further down the line are reluctant to follow. Merchants and early processors are also not keen to sell at any likely offered prices. Sellers are more concerned with continuity of supply as the season draws to a close. Wool International has recently sold more stockpile wool and its own pricing is a good deal firmer. There are no Australian sales next week. The Bradford auction of Scottish wool saw good demand but no large price rises. The Eastern market indicator closed at 595 cents from last weeks 550 cents.

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Jun	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Feb	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Apr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ LIVE HOGS CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Jun	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Feb	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Feb	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

LONDON TRADED OPTIONS

Strike price $ tonne — Calls — Puts

■ ALUMINIUM (99.7%) LME	Jun	Sep	Jun	Sep
1500	[illegible]	[illegible]	[illegible]	[illegible]
1550	[illegible]	[illegible]	[illegible]	[illegible]
1600	[illegible]	[illegible]	[illegible]	[illegible]
■ COPPER (Grade A) LME	Jun	Sep	Jun	Sep
2500	[illegible]	[illegible]	[illegible]	[illegible]
2600	[illegible]	[illegible]	[illegible]	[illegible]
2700	[illegible]	[illegible]	[illegible]	[illegible]
■ COFFEE LCE	Jul	Sep	Jul	Sep
1650	[illegible]	[illegible]	[illegible]	[illegible]
1900	[illegible]	[illegible]	[illegible]	[illegible]
2000	[illegible]	[illegible]	[illegible]	[illegible]
■ COCOA LCE	Jul	Sep	Jul	Sep
875	[illegible]	[illegible]	[illegible]	[illegible]
900	[illegible]	[illegible]	[illegible]	[illegible]
925	[illegible]	[illegible]	[illegible]	[illegible]
■ BRENT CRUDE IPE	Jul	Aug	Jul	Aug
1850	[illegible]	[illegible]	[illegible]	[illegible]
1900	[illegible]	[illegible]	[illegible]	[illegible]
1950	[illegible]	[illegible]	[illegible]	[illegible]

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel)

		+or-
Dubai	$16.20-6.28x	-0.02
Brent Blend (dated)	$18.52-8.50	-0.85
Brent Blend (July)	$17.87-7.90	-0.64
W.T.I.	$19.55-9.58x	-0.755

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

Premium Gasoline	$231-233	-3
Gas Oil	$173-175	-3
Heavy Fuel Oil	$100-102	
Naphtha	$187-189	-3.5
Jet fuel	$188-190	-4.5
Diesel	$175-178	-3

■ NATURAL GAS (Pence/therm)

Bacton (Jun)	9.50-9.60	

Petroleum Argus. Tel: London (0171) 359 8792

■ OTHER

Gold (per troy oz)♣	$392.00	-0.70
Silver (per troy oz)♣	536.50c	-4.00
Platinum (per troy oz.)	$401.75	-1.25
Palladium (per troy oz.)	$132.25	-1.50
Copper	134.0c	
Lead (US Prod.)	43.00c	
Tin (Kuala Lumpur)	15.02r	-0.17
Tin (New York)	284.50	-3.0
Cattle (live weight)	101.51p	-0.14*
Sheep (live weight)	145.11p	-42.72*
Pigs (live weight)	124.71p	+9.51*
Lon. day sugar (raw)	$266.8	+3.0
Lon. day sugar (wte)	$399.5	+2.0
Barley (Eng. feed)	114.40	
Maize (US No3 Yellow)	Unq	
Wheat (US Dark North)	Unq	
Rubber (Jun)♥	102.50p	
Rubber (Jul)♥	102.50p	
Rubber (KL RSS No1)	376.50m	+3.0
Coconut Oil (Phil)§	800.0v	
Palm Oil (Malay)§	$542.5z	-2.5
Copra (Phil)§	$503.0z	
Soyabeans (US)	226.0z	
Cotton Outlook'A' index	82.80c	+0.30
Wooltops (64s Super)	450p	+18

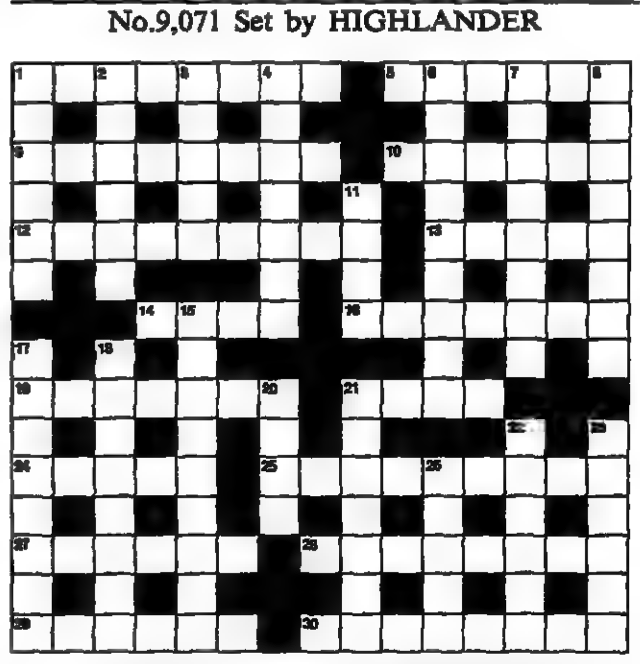
£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. y May. v Jun/Jul. z May/Jun. † London Physical. § CIF Rotterdam. ♣ Bullion market close. * Change on week. †Based on 1,800 head of pigs sold.

JOTTER PAD

The solution is HP Computer Systems.
HEWLETT PACKARD

CROSSWORD

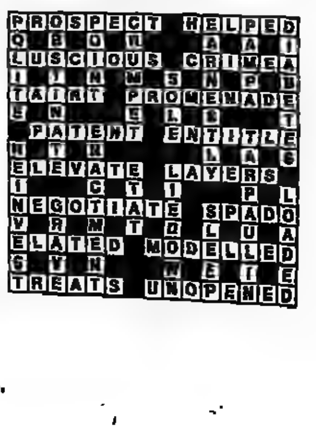
No.9,071 Set by HIGHLANDER



ACROSS
1 Most likely for infant left inside (8)
5 Cruel brute put down first (6)
9 Songbird starts to nest under roof (8)
10 Struggle taking place in Sussex (6)
12 Being sixteen, represented the church (9)
13 Pick some of the best celery around (5)
14 Demonstrate how second is first (4)
16 S-singers heard the title (7)
19 Firm and not round like big cigars (7)
21 Not many heard exclamation of surprise (4)
24 Makes Flat odds? (5)
25 Go with current theatre group (9)
27 Objects to device which has succeeded (8)
28 Angry old bird (8)
29 Taste can be expressed in a range of colours (6)
30 Brought up in Spain, cut dead originally (8)

DOWN
1 Gambler who's pushing thee boat out? (6)
2 Get in boat at sea (6)
3 A graduate on foot; sailor's behind (5)
4 Fortune won back using capital in India (7)
5 Balletic position can change to be a square (9)
7 Brave take pride in regrouping round the leader (6)
8 Went into connections with this period (8)
11 Being nothing more than a mouthful before (4)
15 Deer spot part of rifle (9)
17 Seal on bottle to prevent ship's complement gaining access (5,3)
18 Self determination let Shakespeare go (4,4)
20 Fish-eating mammal is close (4)
21 A difficult situation - hundreds in Rome drunk (7)
22 Put a stop to cricket practice in Greater London (6)
23 50% of baby talk is a perfect example (6)
26 Take off with cold Bohemian seamstress in the front (5)

Solution 9,070



INTERNATIONAL CAPITAL MARKETS

Treasuries slip on FOMC nervousness

By Lisa Bransten in New York and Samer Iskandar and Antonia Sharpe in London

US Treasury prices gave back some of their recent gains in early trading yesterday, amid nervousness ahead of next week's meeting of the Federal Reserve's Open Market Committee.

Near midday, the benchmark 30-year Treasury was off ⅜ at 88¾ to yield 6.889 per cent, while at the short end of the maturity spectrum, the two-year note slipped 1/32 to 99 23/32, yielding 6.045 per cent. The June bond future fell ⅛ to 109.

The curve that maps the yield spread between two-year notes and the long bond held steady at 85 basis points in early trading.

Few on Wall Street believe the Fed will change monetary policy at next week's FOMC meeting, but Mr Woody Jay, head of global government bond trading at Lehman Brothers, said there was concern that the Fed might release a statement after Tuesday's meeting suggesting it had changed from a neutral stance on monetary policy to a bias toward tightening.

Mr Jay said the market was also consolidating after the strong gains made since late last week. "I think the market's going to take a breather and get a little nervous about what comes out of the Fed meeting."

The market was also pressured by new supply of corporate bonds, including Lockheed Martin's sale of $3.5bn debt across the maturity spectrum, marking the largest investment grade offering ever.

Treasuries were lower in overnight trading and showed little reaction to yesterday's data, which were mixed. Non-farm productivity jumped 2.6 per cent in the first quarter, helping ease fears that recent signs of economic strength will lead to inflationary pressures. But new housing construction jumped to 1.5m units last month and the Federal Reserve Bank of Philadelphia's survey of the business outlook for May showed that manufacturers are experiencing increases in some input prices.

GOVERNMENT BONDS

■ UK gilts closed marginally higher. Liffe's June long gilt future settled at 106 5/32, up 3/32. In the cash market, the 7¼ per cent gilt due 2006 ended the day at 96 3/32, up 1/32. Data released yesterday revealed that the retail price index had grown by 2.4 per cent in the 12 months to April. Although the market reacted positively to the data, economists at ABN Amro Hoare Govett found the statistics "slightly disappointing" and warned of potential signs of "a gradual intensification of inflationary pressures".

■ Italian bonds were boosted by optimism on the political front and a strengthening of the Lira against the D-Mark. Liffe's June BTP future settled at 114.73, up 0.32, after reaching a high of 114.84.

■ Spanish bonds ended slightly weaker than Tuesday but well off their lows. The June bono future closed at 98.51, down 0.06 but up 0.26 point from its opening level.

■ The French and German markets were closed, but futures contracts were traded. Matif's June notional future ended a truncated session on Globex at 123.02, down 0.18.

Bund futures were traded on Liffe, where the June contract settled at 96.55, down 0.07.

■ Japanese government bonds were subject to profit-taking in thin trading following Wednesday's gains sparked by remarks by the Bank of Japan governor that there was no need to raise short-term interest rates. The profit-taking caused the yield on the benchmark No 182 10-year government bond to rise to about 3.33 per cent in London trading from 3.26 per cent at the close of Japanese trading yesterday.

A delay in raising interest rates also helped the three-month euro-yen contract which rebounded from a low of 98.37 earlier in the week to 98.75 yesterday but again in thin trading.

Mr Kirit Shah, chief market strategist at Sanwa International in London, said the governor's comments had revived sentiment in the JGB market but he cautioned that in the long term, rates would have to rise.

Strong demand for Merrill Lynch FRN issue

By Conner Middelmann

With most of Europe closed for national holidays yesterday, only two new issues saw the light of day in a torpid eurobond market.

Merrill Lynch, the US investment bank, issued £100m of five-year floating-rate notes yielding 24 basis points over Libor at the re-offer price. In late trading, the spread had narrowed to 23 basis points due to strong investor demand, lead manager Merrill Lynch said.

INTERNATIONAL BONDS

The deal was supported by a large lead order, but also saw strong bids from other investors, mainly UK banks, a syndicate official at the lead manager said.

"There is still very strong interest in spread product, and the sterling market is starved of supply," he said. In yield terms, the notes compare favourably with paper issued by UK building societies with similar credit ratings, which trade at single-digit yield spreads over Libor, he added.

Elsewhere, Abbey National returned to the public euroyen market after a two-year absence with a Y30bn issue of three-year, 2.1 per cent bonds. According to lead manager Daiwa Europe, the paper saw strong demand from Japanese regional and local institutions.

In the domestic yen market, Mexico issued a Y100bn 10-year samurai bond with a 6.75 per cent coupon. The proceeds are expected to be used to refinance most of the $1.5bn dual Cetes-Libor note issued by Mexico in December 1995, which matures next November.

Other Latin American borrowers are waiting to access the market soon, with Colombia launching an international roadshow yesterday for its forthcoming $300m five-year bond – its first dollar-denominated eurobond after three yankee issues and a D-Mark eurobond. Salomon Brothers and SBC Warburg will act as joint leads for the offering.

Colombia is one of only two investment-grade rated Latin American borrowers (the other is Chile), and the only country in the region that did not default on its debt during the 1970s and 1980s.

Venezuela is also limbering up for its long-awaited D-Mark issue, a DM700m offering which is expected to surface in the next few weeks, via WestLB.

Meanwhile, Ford Motor Credit is holding an international investor roadshow in preparation of a bond issue of at least $750m, expected in two weeks via joint leads Merrill Lynch and Lehman Brothers.

After issuing two $200m Asian-targeted dragon bonds last year, Ford Motor Credit plans to make the next issue a so-called euro-Asian bond, combining elements of a dragon bond – such as Asian listings and launch – with eurobond features like European retail placement and larger size.

"Euro-Asian bonds marry the best of dragon bonds and eurobonds," a syndicate official at one of the leads said.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book-runner
US DOLLARS							
RFM Capital(a)§	65	(2¼-2¾)	100.00	May 2006	2.50	-	Salomon Brothers Intl
YEN							
Abbey Natl Trsy Services(s)‡	30bn	2.10	100.0375	Dec 1999	0.1875	-	Daiwa Europe
STERLING							
Merrill Lynch & Co‡	100	(b)	99.817R	Jun 2001	0.20R	-	Merrill Lynch International

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. *Unlisted. ‡ Floating-rate note. §Convertible. R: fixed re-offer price; fees shown at re-offer level. a) Fixing: 23/5/96. Indicated conversion premium: 10-15%. Callable from 30/5/99 at par with four years of 130% protection. Puttable on 30/5/01 to yield Treasuries +75-125bp. Greenshoe: 15%. b) 3-mth Libor +20bp. s) Short 1st coupon.

US banks 'biggest users of derivatives'

By Richard Lapper

The extent to which large US companies are making use of derivatives is highlighted in a new handbook published by by Risk Magazine in association with Price Waterhouse, the accountancy firm.

According to the handbook, the notional principal of derivatives positions held by companies in the S&P 500 index amounted to $19,000bn in 1994.

Financial companies such as banks are by far the biggest users of derivatives, accounting for 98 per cent of this notional amount, a figure which is used to calculate cash flows and does not measure market value or the credit risk of the transactions. By contrast, non-financial companies held positions equal to a notional principal of $476bn.

Ford Motor was the largest industrial company using derivatives, with a notional principal of $66.4bn in derivatives on its books, including $53.8bn in interest rate swaps. Other large non-financial companies using derivatives included General Electric, General Motors, IBM and ITT. Chemical Bank was the largest financial company, with notional principal of $3,200bn, followed by Citicorp with $2,700bn.

Interest-rate swaps were the most popular contracts, accounting for 23 per cent of the outstandings of financial groups and 40 per cent for non-financial companies.

Of the S&P 500 companies, 371 disclosed information about derivatives in their 1994 annual reports.

The Corporate Risk Management Handbook. Risk Publications in association with Price Waterhouse LLP, April 1996. £199/$349. 104-112, Marylebone Lane, London W1M 5FU

Decree clears way for privatisation of Milan SE

By Andrew Hill in Milan

The Milan stock exchange will become a self-regulating joint stock company, owned by financial intermediaries, under the terms of a new decree approved this week by the Italian government.

The decree, approved by the outgoing government of Mr Lamberto Dini late on Wednesday night, implements the European Union's investment services directive, which gives banks and securities houses the right to trade in other countries' stock markets.

The law has been under discussion for months, and there were fears that further delay – exacerbated by the legislative hiatus of last month's elections – would leave Italy lagging behind competing European stock exchanges.

Mr Giangiacomo Nardozzi, director of the financial markets study group of IRS, a Milan-based research institute, welcomed the decree.

He said it would do away with old-style management and regulation of the market by the public sector, and introduce a more flexible self-regulatory approach.

Stock market operators said yesterday they did not expect the decree to change the way they worked.

Under the old rules – which were condemned by Brussels as discriminatory – foreign banks and brokers were obliged to set up a local Società di Intermediazione Mobiliare (SIM) if they wanted to trade on Italian equity markets and sell Italian securities to ordinary investors.

The new decree, which has been dubbed the Eurosim law, will do away with that obligation.

But most foreign securities houses have already set up SIMs, or linked up with existing Italian brokers.

The Eurosim decree gives many regulatory functions which are currently exercised by Consob, the financial markets watchdog, to the privatised stock exchange, including the power to admit, suspend or revoke the authorisation of individual operators or financial instruments.

Consob will retain an overall supervisory role, but it will be able to intervene on regulated markets only if it thinks certain general principles have been breached.

Mr Nardozzi said he believed the existing stock exchange council, which already includes representatives of banks and brokers, would easily convert to the new disciplines of running a privatised exchange.

Privatisation is expected to complete the modernisation of the stock exchange, but the market is still hampered by problems of illiquidity, lack of transparency, and the reluctance of Italy's dynamic family-owned companies to seek a listing for their shares.

Mr Carlo Maria Mascheroni, chief executive of Azimut Gestione Fondi, an Italian fund management company, said the new decree was mainly a regulatory measure.

It was more important for market regulators to put quoted companies under pressure to provide more and clearer information to shareholders.

"We need stronger action, a different framework of rules [for quoted companies] and much more courage on the part of individual market players to implement them," said Mr Mascheroni yesterday.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		10.000	02/06	106.0020	-	8.77	8.82	8.79
Austria		6.125	02/06	0.0000	-	0.00	6.46	6.45
Belgium		7.000	05/06	0.0000	-	0.00	6.73	6.89
Canada *		8.750	12/05	105.7900	-0.140	7.73	7.80	7.80
Denmark		8.000	03/06	0.0000	-	0.00	7.47	7.44
France	BTAN	5.750	03/01	0.0000	-	0.00	5.62	5.72
	OAT	7.250	04/06	0.0000	-	0.00	6.84	6.88
Germany Bund		6.250	04/06	0.0000	-	0.00	6.51	6.39
Ireland		8.000	08/06	102.4600	-0.010	7.65	7.74	7.82
Italy		9.500	02/06	99.5300	-0.150	9.57†	9.87	10.37
Japan	No 140	6.600	06/01	118.9795	-0.550	2.41	2.61	1.22
	No 182	3.000	09/05	97.7655	-0.140	3.32	3.38	3.12
Netherlands		8.000	01/06	0.0000	-	0.00	6.41	6.37
Portugal		11.875	02/05	118.5000	+0.020	9.05	9.18	9.29
Spain		8.800	04/06	97.2800	-0.060	9.20	9.27	9.44
Sweden		6.000	02/05	0.0000	-	0.00	8.58	8.45
UK Gilts		8.000	12/00	102-06	-7/32	7.42	7.48	7.43
		7.500	12/06	95-05	+2/32	8.04	8.14	8.08
		9.000	10/08	105-12	-2/32	8.17	8.24	8.18
US Treasury *		6.875	05/06	101-10	-15/32	6.45	6.77	6.81
		6.000	02/26	88-23	-19/32	6.90	7.00	6.94
ECU (French Govt)		7.500	04/05	0.0000	-	0.00	6.97	7.04

London closing, *New York mid-day. Yields: Local market standard. † Gross (including withholding tax at 12.5 per cent payable by nonresidents) Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

[illegible]

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000 (May 15)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	123.30	123.20	-0.22	123.38	123.16	90,062	161,117
Sep	121.84	121.74	-0.22	121.88	121.74	4,072	12,461
Dec	120.58	120.48	-0.22	120.80	120.48	2,659	8,284

■ LONG TERM FRENCH BOND OPTIONS (MATIF) (May 15)

[illegible]

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	96.59	96.56	-0.07	96.66	96.37	46119	170701
Sep	95.70	95.64	-0.06	95.76	95.50	953	25763

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	Calls Jun	Calls Jul	Calls Aug	Calls Sep	Puts Jun	Puts Jul	Puts Aug	Puts Sep
9650	0.29	0.26	0.46	0.62	0.24	1.12	1.32	1.48
9700	0.10	0.13	0.30	0.45	0.65	1.49	1.65	1.81
9750	0.03	0.05	0.19	0.32	0.98	1.92	2.05	2.18

Est. vol. total, Calls 5444 Puts 3832. Previous day's open int., Calls 256457 Puts 185387

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	114.31	114.73	+0.32	114.84	114.20	25433	65607
Sep	113.70	114.08	+0.31	114.10	113.70	631	3403

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

[illegible]

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	98.47	98.57	+0.12	98.76	98.26	83,531	68,331
Sep	98.02	98.03	+0.06	98.03	97.94	27	184

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	106-05	106-07	+0-02	106-09	106-00	34459	118168
Sep	105-06	105-07	+0-02	105-06	104-30	3001	3484

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

[illegible]

Ecu

■ ECU BOND FUTURES (MATIF) ECU100,000 (May 15)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	91.28	91.18	-0.10	91.28	91.16	819	8,845

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	109-19	109-00	-0-18	109-19	108-31	230,809	353,606
Sep	109-08	108-21	-0-18	108-31	108-18	6,281	41,695
Dec	108-14	107-30	-0-18	108-14	107-30	605	7,410

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Jun	118.80			118.80	118.66	3066	0
Sep	117.66			117.66	117.55	1426	0

* LIFFE futures also traded on APT. All Open interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price Indices UK Gilts	Thu May 16	Day's change %	Wed May 15	Accrued interest	xd adj. ytd
1 Up to 5 years (23)	121.22	0.02	121.19	2.11	3.79
2 5-15 years (19)	145.33	0.04	145.31	2.50	4.09
3 Over 15 years (9)	160.57	0.03	160.52	3.85	3.48
4 Irredeemables (6)	184.03	-0.04	184.10	5.20	1.47
5 All stocks (57)	140.99	0.03	141.15	2.62	3.90

	Low coupon yield May 16	May 15	Yr. ago	Medium coupon yield May 16	May 15	Yr. ago	High coupon yield May 16	May 15	Yr. ago
5 yrs	7.52	7.52	8.64	7.55	7.56	8.67	[illegible]	[illegible]	8.63
15 yrs	[illegible]	8.23	8.17	8.24	8.24	8.66	[illegible]	8.34	8.60
20 yrs	8.31	8.31	8.63	8.31	8.31	8.66	8.38	8.38	[illegible]
Irred.†	8.38	[illegible]	8.66						

Index-linked							Inflation 5% May 16	May 15	Yr. ago	Inflation 10% May 16	May 15	Yr. ago
6 Up to 5 years (1)	196.10	0.08	195.92	0.49	4.43	Up to 5 yrs	2.81	2.88	3.81	1.29	1.35	2.81
7 Over 5 years (11)	183.81	0.10	183.43	1.07	1.81	Over 5 yrs	3.81	3.76	3.95	3.58	3.60	3.76
8 All stocks (12)	185.72	0.10	185.54	1.08	1.86							

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	May 16	May 15	May 14	May 13	May 10	Yr ago	High*	Low*
Govt. Secs. (UK)	92.29	92.27	92.44	92.19	92.40	93.46	95.34	91.59
Fixed Interest	111.58	111.85	111.92	111.45	111.82	112.48	115.23	110.74

* for 1995. Government Securities high since compilation: 127.4 (09/01/35), low 49.18 (03/01/75). Fixed Interest high since compilation: 133.87 (21/01/94), low 50.53 (03/01/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974

GILT EDGED ACTIVITY INDICES

	May 15	May 14	May 13	May 10	May 9
Gilt Edged bargains	118.3	71.7	78.9	102.1	118.4
5-day average	98.8	93.6	98.1	102.4	100.9

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:00 pm on May 16

[illegible]

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day. FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate (three-month §above mean rate) for US dollars. C.cpn=The current coupon. CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

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UK GILTS PRICES

[illegible]

● 'Tap' stock. ‡‡ Tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds per £100 nominal of stock. Prospective real index-linked redemption yields are calculated by HSBC Greenwell from Bank of England closing prices.

CURRENCIES AND MONEY

MARKETS REPORT

Swiss franc falls during quiet trading session

By Philip Gawith

The fall in the Swiss franc was the main feature of a quiet trading day, with many markets closed for Ascension Day. Only the UK, Italy, Spain and Portugal were open in Europe.

There were no fresh developments to explain the weakness of the franc, whose fall was reminiscent of the sharp drop in sterling on May Day when London was again the only leading European centre open for trade.

The franc closed in London at SFr1.2588 against the dollar, from SFr1.2535. Earlier in the day it had reached a 15 month intra-day low of SFr1.2620.

The franc was also weaker against the D-Mark, which finished the day buying 81.9 centimes, from 81.7.

The dollar was little changed against the D-Mark, at DM1.5368, from DM1.5341. Against the yen it finished at Y106.655, from Y106.855.

In Europe the Swedish crown made an unsuccessful attempt to break a 40 month high of SKr4.3930, before finishing at SKr4.404 against the D-Mark.

Sterling had an uneventful day, finishing at DM2.3231, from DM2.3212, and at $1.5117, from $1.5131.

■ The further weakness in the Swiss franc came as little surprise. Analysts for some time have been describing it as the most overvalued currency in the world.

Mr Paul Chertkow, head of global currency strategy at UBS in London said it had been obvious that the Swiss economy needed lower interest rates to pull it out of recession. Like the German economy, recent evidence suggested it also required a weaker exchange rate.

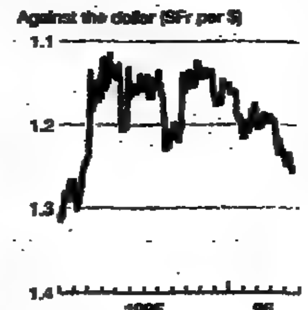
Mr Chertkow said one reason for the weaker franc was that the market had overcome the fear that the D-Mark would be replaced by a significantly weaker Euro, and hence there was less case for safe-haven flows into the franc. "The forces that have been boosting the swiss franc are unwinding," he said.

Goldman Sachs had revised its franc forecasts more negatively earlier in the week. The forecast is for SFr0.88 against the D-Mark, and SFr1.41 against the dollar, in six months. The bank cited two reasons: the forecast is closer to their calculation of fair value (SFr0.96); and "growing public comments from Swiss officials concerning the damage being done to the economy."

Last Friday Swiss government advisers called on the central bank to pay more attention to currency rates in their planning.

Swiss franc

Against the dollar (SFr per $)



Source: FT Extel

■ The Swiss franc has tended to serve as the bellwether dollar currency – its trend against the franc is likely to be repeated more generally.

One curious feature of the markets is that although the dollar is at a high for the year against the Swiss franc and D-Mark, implied volatility in the options market is at its lowest level since the late Eighties.

The message is that market participants feel very little need to insure against the risk of currency volatility. Often when currencies are at the edge of their trading range, this is the prelude for a sharp move, which would be accompanied by rising expectations of volatility.

Mr John Wareham, head of global foreign exchange marketing at Merrill Lynch in London, said that SFr1.25 was historically a "massively unstable price".

Whatever puzzles the options market is throwing up, the positive relationship between dollar/D-Mark, and the ten year treasuries/bund spread, has been striking. Given this, and the expectation that stronger US growth will probably cause the gap to widen further, Mr Mike Rosenberg, head of bond and currency research at Merrill Lynch in New York, is forecasting that the dollar will rally as far as DM1.60, perhaps DM1.70.

■ The yen's recent rally against the D-Mark has taken a backseat over the past few days to the dollar's improved performance against the yen, helped by comments from central bank and finance ministry officials in Japan.

This chimes with analysis from Mr Ravi Bulchandani, economist at Morgan Stanley in New York that it is the dollar that is the BOJ's chief concern. He argues that "the BOJ probably has a wider range of tolerance for a strong yen against the D-Mark, as long as the dollar does not fall or, even better, continues to rise against the yen."

■ **Pound in New York**

May 16	Latest	Prev. close
Spot	1.5145	1.5130
1 mth	1.5139	1.5122
3 mth	1.5123	1.5106
1 yr	1.5075	1.5052

■ **OTHER CURRENCIES**

May 16	£	$
Czech Rp	41.6595 - 41.7040	27.5720 - 27.5820
Hungary	224.972 - 225.152	148.360 - 148.910
Iran	4536.00 - 4533.90	3000.00 - 3000.00
Kuwait	0.4534 - 0.4544	0.3000 - 0.3005
Poland	4.0314 - 4.0370	2.6675 - 2.6750
Russia	7532.32 - 7540.34	4984.00 - 4987.00
UAE	5.5507 - 5.5537	3.6725 - 3.6731

POUND SPOT FORWARD AGAINST THE POUND

May 16		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	Bank of Eng. Index
Europe													
Austria	(Sch)	16.3472	+0.0132	396 - 547	16.3640	16.3102	16.3027	2.3	16.241	2.6	-	-	104.8
Belgium	(BFr)	47.7833	+0.0752	420 - 246	47.8250	47.6570	47.6031	2.6	47.4483	2.8	46.4483	2.8	106.6
Denmark	(DKr)	8.9556	+0.0057	513 - [illegible]	8.9763	8.9496	8.9445	2.1	8.9174	2.2	8.7741	2.1	107.2
Finland	(FM)	7.1389	-0.0061	315 - 462	7.1770	7.1260	7.1406	0.7	7.1364	0.7	-	-	83.2
France	(FFr)	7.8651	+0.0057	618 - 684	7.8802	7.8479	7.8453	2.2	7.8231	2.1	7.6902	2.2	109.0
Germany	(DM)	2.3231	+0.0019	221 - 241	2.3261	2.3176	2.3163	2.6	2.3077	2.7	2.2574	2.8	108.1
[illegible]													
Saudi Arabia	(SR)	5.6692	-0.0053	678 - 706	5.6797	5.6653	-	-	-	-	-	-	-
Singapore	(S$)	2.1292	-0.0013	279 - 304	2.1325	2.1206	-	-	-	-	-	-	-
South Africa	(R)	6.5870	+0.0504	779 - 961	6.6109	6.5277	-	-	-	-	-	-	-
South Korea	(Won)	1177.88	+0.16	745 - 830	1180.47	1177.13	-	-	-	-	-	-	-
Taiwan	(T$)	41.1336	-0.0303	195 - 538	41.2085	41.1022	-	-	-	-	-	-	-
Thailand	(Bt)	38.2402	-0.011	238 - 566	38.2850	38.2080	-	-	-	-	-	-	-

† Rates for May 15. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

May 16		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	J.P. Morgan index
Europe													
Austria	(Sch)	10.8141	+0.019	116 - 166	10.8230	10.7770	10.7946	2.2	10.7526	2.3	10.5891	2.3	104.6
Belgium	(BFr)	31.6100	+0.08	900 - 300	31.6320	31.5010	31.555	2.1	31.44	2.2	30.9	2.2	106.3
Denmark	(DKr)	5.9310	+0.0095	295 - 325	5.9355	5.9119	5.9235	1.5	5.9065	1.7	5.8375	1.6	108.5
Finland	(FM)	4.7226	+0.0005	189 - 263	4.7457	4.7075	4.7161	1.7	4.7041	1.6	4.6586	1.4	82.4
France	(FFr)	5.2030	+0.0087	020 - 040	5.2090	5.1870	5.1961	1.6	5.1818	1.6	5.114	1.7	108.4
Germany	(DM)	1.5368	+0.0027	365 - 371	1.5383	1.5315	1.5343	2.0	1.5285	2.1	1.5003	2.4	107.5
[illegible]													
Saudi Arabia	(SR)	3.7504	+0.0001	503 - [illegible]									
Singapore	(S$)	1.4085	+0.0006	080 - [illegible]									
South Africa	(R)	4.3575	+0.0375	525 - [illegible]									
South Korea	(Won)	779.200	+0.85	100 - [illegible]									
Taiwan	(T$)	27.2130	+0.006	080 - [illegible]									
Thailand	(Bt)	25.2970	+0.017	920 - [illegible]									

† SDR rate per $ for May 15. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices May 15: Base average 1990=100.

WORLD INTEREST RATES

MONEY RATES

May 16	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	3½	3¼	3¼	3¼	3⅜	7.00	2.50	-
week ago	3⅜	3¼	3⅜	3⅜	3⅝	7.00	2.50	-
France	3⅞	3⅞	3⅞	3⅞	4⅛	3.70	-	5.60
week ago	3⅞	3⅞	3⅞	3⅞	4⅛	3.70	-	5.60
Germany	3¼	3⅜	3¼	3¼	3⅝	4.50	2.50	3.30
week ago	3⅜	3⅜	3⅜	3¼	3⅜	4.50	2.50	3.30
Ireland	5⅛	5⅛	5½	5⅛	5⅝	-	-	6.25
week ago	5	5⅛	5⅛	5⅛	5⅝	-	-	6.25
Italy	9⅛	9⅛	8⅞	8⅞	8⅞	-	9.00	9.25
week ago	9⅛	9⅛	8⅞	8⅞	8⅞	-	9.00	9.32
Netherlands	2⅝	2⅝	2⅝	2⅝	2⅝	-	3.00	3.30
week ago	2⅞	2⅝	2⅝	2⅝	2⅝	-	3.00	3.30
Switzerland	2⅛	2⅛	2⅛	2⅛	2⅛	5.00	1.50	-
week ago	1⅝	2⅛	1⅞	1⅞	2	5.00	1.50	-
US	5⅜	5⅜	5½	5⅜	5⅞	-	5.00	-
week ago	5¼	5⅜	5⅜	5⅜	5⅞	-	5.00	-
Japan	½	½	⅝	⅝	1	-	0.50	-
week ago	½	½	⅝	⅝	1⅛	-	0.50	-
■ $ LIBOR FT London								
Interbank Fixing	-	5⅜	5⅜	5⅜	5⅞	-	-	-
week ago	-	5⅜	5½	5⅝	5⅞	-	-	-
US Dollar CDs	-	5.10	5.11	5.24	5.56	-	-	-
week ago	-	5.10	5.12	5.30	5.69	-	-	-
ECU Linked Ds	-	4⅝	4⅛	4⅛	4⅛	-	-	-
week ago	-	4⅝	4⅛	4⅛	4⅛	-	-	-
SDR Linked Ds	-	3⅜	3⅜	3⅜	3⅝	-	-	-
week ago	-	3⅜	3⅜	3⅜	3⅜	-	-	-

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

May 16	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	3⅞ - 3⅝	3⅞ - 3⅝	3½ - 3⅜	3⅞ - 3⅜	3½ - 3¼	3⅞ - 3⅝
Danish Krone	4⅛ - 3⅞	4 - 3⅞	3⅞ - 3⅝	3⅞ - 3⅝	3⅞ - 3⅞	4⅛ - 3⅞
D-Mark	3⅜ - 3⅛	3⅜ - 3⅛	3⅜ - 3⅛	3⅜ - 3¼	3⅜ - 3¼	3⅝ - 3⅜
Dutch Guilder	2⅞ - 2⅝	2⅞ - 2⅝	2⅞ - 2⅞	2⅞ - 2⅞	2⅞ - 2⅞	2⅞ - 2⅞
French Franc	3⅞ - 3⅞	3⅞ - 3⅞	3⅞ - 3⅞	3⅞ - 3⅞	4⅛ - 3⅞	4⅛ - 4⅛
Portuguese Esc	7⅞ - 7⅝	7⅞ - 7⅝	7⅞ - 7⅝	7¾ - 7⅝	7¾ - 7⅝	7¾ - 7⅝
Spanish Peseta	7¾ - 7⅝	7⅞ - 7⅝	7⅞ - 7⅝	7⅝ - 7⅛	7½ - 7⅜	7⅞ - 7⅞
Sterling	9⅞ - 5⅞	5⅞ - 5⅞	6⅛ - 5⅞	6⅛ - 6	6⅛ - 6⅛	6⅞ - 6⅞
Swiss Franc	2⅝ - 2⅛	2½ - 2¼	2⅛ - 2⅛	2⅛ - 2	2⅛ - 2	2⅛ - 2⅛
Can. Dollar	4⅞ - 4⅞	4⅝ - 4⅞	4⅝ - 4⅝	4⅞ - 4⅞	5 - 4⅞	5⅛ - 5⅛
US Dollar	5⅛ - 5⅛	5⅛ - 5⅛	5⅜ - 5⅛	5⅛ - 5⅛	5⅞ - 5⅝	5⅞ - 5⅝
Italian Lira	9½ - 8⅝	9⅛ - 9⅛	9⅛ - 9⅛	8⅞ - 8⅞	8⅞ - 8½	8⅞ - 8⅞
Yen	⅛ - ⅛	⅛ - ⅛	⅛ - ⅛	⅞ - ⅞	⅞ - ⅞	1⅛ - ⅞
Asian $Sing	2⅝ - 2⅝	2⅝ - 2½	2⅛ - 2⅞	2⅛ - 2⅛	2⅛ - 2⅛	2⅞ - 2⅞

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ **THREE MONTH PIBOR FUTURES** (MATIF) Paris interbank offered rate (FFr 5m)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	96.02	95.99	-0.05	96.02	95.97	24,731	53,237
Sep	96.04	96.02	-0.06	96.05	96.01	14,585	53,782
Dec	95.92	95.90	-0.02	95.92	95.89	4,767	31,630

■ **THREE MONTH EUROMARK FUTURES** (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	96.75	96.73	-0.02	96.75	96.72	21691	166554
Sep	96.76	96.76	+0.01	96.79	96.73	25906	239878
Dec	96.57	96.59	+0.02	96.61	96.50	36834	207412
Mar	96.26	96.28	+0.01	96.30	96.20	22272	151845

■ **THREE MONTH EUROLIRA FUTURES** (LIFFE)* L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	91.35	91.38	+0.01	91.39	91.32	4951	52480
Sep	91.92	91.94	+0.01	91.95	91.88	4570	35964
Dec	92.04	92.09	-	92.10	92.04	1747	26542
Mar	92.05	92.06	-	92.06	92.02	947	9814

■ **THREE MONTH EURO SWISS FRANC FUTURES** (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	97.87	97.90	-0.02	97.96	97.82	3489	22950
Sep	97.79	97.80	+0.01	97.82	97.71	8112	22958
Dec	97.57	97.62	-	97.62	97.54	2278	11290
Mar	97.31	97.38	-	97.39	97.29	711	5293

■ **THREE MONTH EUROYEN FUTURES** (LIFFE) Y100m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	99.32	99.32	+0.05	99.32	99.32	265	na
Sep	99.05	99.04	-	99.05	99.04	150	na
Dec	98.75	98.73	-0.01	98.75	98.73	477	na

■ **THREE MONTH ECU FUTURES** (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	95.86	95.85	-0.01	95.86	95.85	643	10046
Sep	95.72	95.71	-0.03	95.73	95.72	132	4726
Dec	95.58	95.55	-0.03	95.56	95.55	45	3656
Mar	95.33	95.34	-0.03	95.34	95.35	78	2298

* LIFFE futures also traded on APT

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

May 16		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.77	16.46	4.862	2.030	4905	5.436	20.85	499.8	406.0	21.41	3.983	2.093	4.326	3.165	337.4	2.585
Denmark	(DKr)	53.29	10	8.772	2.591	1.082	2624	2.896	11.11	266.3	216.4	11.41	2.122	1.115	2.306	1.686	179.8	1.377
France	(FFr)	60.75	11.40	10	2.954	1.233	2992	3.302	12.67	303.6	246.7	13.01	2.420	1.271	2.629	1.922	205.0	1.570
Germany	(DM)	20.57	3.860	3.386	1	0.418	1013	1.118	4.288	102.8	83.51	4.404	0.819	0.430	0.890	0.651	69.39	0.532
Ireland	(I£)	49.26	9.243	8.108	2.395	1	2426	2.677	10.27	246.2	200.0	10.55	1.962	1.031	2.132	1.559	166.2	1.273
Italy	(L)	2.031	0.381	0.334	0.099	0.041	100.	0.110	0.423	10.15	8.245	0.435	0.081	0.042	0.088	0.064	6.851	0.052
Netherlands	(Fl)	18.40	3.452	3.028	0.894	0.374	906.0	1	3.836	91.96	74.70	3.939	0.733	0.385	0.796	0.582	62.07	0.476
Norway	(NKr)	47.96	9.000	7.895	2.332	0.974	2362	2.607	10	239.7	194.7	10.27	1.910	1.004	2.076	1.518	161.8	1.240
Portugal	(Es)	20.01	3.755	3.294	0.973	0.406	985.3	1.088	4.172	100.	81.24	4.284	0.797	0.419	0.866	0.633	67.50	0.517
Spain	(Pta)	24.63	4.622	4.054	1.197	0.500	1213	1.339	5.135	123.1	100.	5.273	0.981	0.515	1.066	0.779	83.09	0.637
Sweden	(SKr)	46.71	8.764	7.688	2.271	0.948	2300	2.539	9.738	233.4	189.6	10	1.860	0.978	2.022	1.478	157.6	1.207
Switzerland	(SFr)	25.11	4.712	4.133	1.221	0.510	1236	1.365	5.235	125.5	101.9	5.376	1	0.525	1.087	0.795	84.71	0.649
UK	(£)	47.78	8.966	7.865	2.323	0.970	2353	2.597	9.962	238.8	194.0	10.23	1.903	1	2.068	1.512	161.2	1.236
Canada	(C$)	23.10	4.335	3.803	1.123	0.469	1138	1.256	4.817	115.5	93.81	4.947	0.920	0.484	1	0.731	77.95	0.597
US	($)	31.60	5.930	5.202	1.536	0.642	1556	1.718	6.589	157.9	128.3	6.766	1.258	0.661	1.368	1	106.6	0.817
Japan	(Y)	29.64	5.562	4.879	1.441	0.602	1460	1.611	6.180	148.1	120.3	6.346	1.181	0.620	1.283	0.938	100.	0.766
Ecu		38.69	7.260	6.368	1.881	0.786	1905	2.103	8.066	193.4	157.1	8.283	1.541	0.810	1.674	1.224	130.5	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ **D-MARK FUTURES** (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	0.6528	0.6519	-0.0013	0.6540	0.6516	17,210	80,257
Sep	0.6556	0.6554	-0.0014	0.6561	0.6553	143	4,386
Dec	-	0.6608	-	-	-	30	1,120

■ **SWISS FRANC FUTURES** (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	0.8003	0.7957	-0.0044	0.8010	0.7946	13,002	42,342
Sep	0.8012	0.8025	-0.0045	0.8025	0.8010	175	2,275
Dec	0.8130	0.8090	-0.0047	0.8130	0.8090	23	746

■ **JAPANESE YEN FUTURES** (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	0.9395	0.9420	+0.0028	0.9433	0.9388	34,437	65,471
Sep	0.9475	0.9538	+0.0032	0.9542	0.9475	361	3,036
Dec	-	0.9620	-	-	-	97	2,117

■ **STERLING FUTURES** (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	1.5130	1.5128	-0.0002	1.5130	1.5100	8,886	44,471
Sep	1.5116	1.5102	-0.0010	1.5116	1.5100	25	444
Dec	-	1.5060	-0.0016	-	1.5060	1	36

UK INTEREST RATES

LONDON MONEY RATES

May 16	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	6⅛ - 5½	6 - 5⅞	6 - 5⅞	6⅛ - 6	6⅛ - 6⅛	6⅛ - 6⅛
Sterling CDs	-	-	6 - 5⅞	6 - 5⅞	6⅛ - 5⅞	6⅛ - 6⅛
Treasury Bills	-	-	5⅞ - 5⅞	5⅞ - 5⅞	-	-
Bank Bills	-	-	5⅞ - 5⅞	5⅞ - 5⅞	5⅞ - 5⅞	-
Local authority deps.	6⅛ - 5⅞	6⅛ - 5⅞	6⅛ - 5⅞	6⅛ - 5⅞	6⅛ - 6	6⅛ - 6⅛
Discount Market deps	6⅛ - 5⅞	6 - 5⅞	-	-	-	-

UK clearing bank base lending rate 6 per cent from March 8, 1996

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	2½	5½	5	5	4⅞

Certs of Tax dep. under £100,000 is 2½pc. Deposits withdrawn for cash 1½pc. Ave. tender rate of discount on May 10, 5.8154pc. ECGD fixed rate Stlg. Export Finance. Make up day Apr 30, 1996. Agreed rate for period May 26, 1996 to Jun 25, 1996, Schemes II & III 7.38pc. Reference rate for period Mar 30, 1996 to Apr 30, 1996, Schemes IV & V 8.078pc. Finance House Base Rate 6½pc from May 1, 1996

■ **THREE MONTH STERLING FUTURES** (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	93.92	93.92	-	93.93	93.91	6015	74251
Sep	93.83	93.83	-	93.84	93.79	10098	80403
Dec	93.54	93.57	+0.02	93.59	93.52	13870	68538
Mar	93.18	93.19	+0.01	93.21	93.14	4070	48084
Jun	92.79	92.79	-	92.82	92.76	2519	38879

Also traded on APT. All Open interest figs. are for previous day.

■ **SHORT STERLING OPTIONS** (LIFFE) £500,000 points of 100%

Strike Price	CALLS Jun	Sep	Dec	PUTS Jun	Sep	Dec
9375	0.19	0.20	0.20	0.02	0.12	0.36
9400	0.03	0.07	0.11	0.11	0.24	0.54
9425	0	0.03	0.05	0.33	0.45	0.73

Est. vol. total, Calls 200 Puts 678. Previous day's open int., Calls 140509 Puts 122651

EMS EUROPEAN CURRENCY UNIT RATES

May 16	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Spain	162.493	159.578	+0.020	-1.79	3.13	12
Netherlands	2.15214	2.13767	-0.00055	-0.67	1.97	5
Belgium	39.3960	39.2956	-0.0227	-0.25	1.54	2
Austria	13.4383	13.4526	-0.0071	0.11	1.17	-1
Portugal	195.792	196.452	-0.003	0.34	0.94	-2
Germany	1.91007	1.91182	-0.00094	0.09	1.19	-1
France	6.40608	6.47219	-0.00112	1.03	0.25	-8
Denmark	7.28580	7.37906	-0.00342	1.28	0.00	-9
Ireland	0.792214	0.798238	+0.00114	0.76	0.52	-5
NON ERM MEMBERS						
Greece	292.867	303.273	+0.189	3.55	-2.19	-
Italy	2106.15	1937.97	+1.05	-7.99	10.07	-
UK	0.786652	0.822753	+0.001585	4.59	-3.16	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ **PHILADELPHIA SE £/$ OPTIONS** £31,250 (cents per pound)

Strike Price	CALLS Jun	Jul	Aug	PUTS Jun	Jul	Aug
1.490	2.40	2.63	3.01	0.13	0.47	0.82
1.500	1.61	1.98	2.42	0.35	0.78	1.29
1.510	0.97	1.40	1.87	0.70	1.18	1.72
1.520	0.52	0.94	1.41	1.25	1.73	2.26
1.530	0.23	0.59	1.03	1.96	2.38	2.83

Previous day's vol., Calls N/A Puts N/A . Prev. day's open int., Calls N/A Puts N/A

■ **THREE MONTH EURODOLLAR** (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	94.51	94.50	-0.02	94.52	94.50	34,474	370,568
Sep	94.33	94.30	-0.03	94.33	94.29	42,913	359,247
Dec	94.07	94.01	-0.06	94.07	94.00	84,632	356,600

■ **US TREASURY BILL FUTURES** (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	94.97	94.96	-0.01	94.98	94.97	138	5,585
Sep	94.77	94.78	-0.02	94.78	94.77	141	5,316
Dec	-	94.56	-0.04	-	94.58	50	1,187

All Open interest figs. are for previous day

■ **EUROMARK OPTIONS** (LIFFE) DM1m points of 100%

Strike Price	CALLS Jun	Jul	Aug	Sep	PUTS Jun	Jul	Aug	Sep
9650	0.24	0.30	0.31	0.33	0.01	0.02	0.03	0.05
9675	0.03	0.10	0.12	0.14	0.05	0.07	0.09	0.11
9700	0	0.02	0.03	0.04	0.27	0.24	0.25	0.28

Est. vol. total, Calls 11670 Puts 8580. Previous day's open int., Calls 352416 Puts 381225

■ **EURO SWISS FRANC OPTIONS** (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Jun	Sep	Dec	PUTS Jun	Sep	Dec
9800	0.06	0.11	0.15	0.15	0.31	0.53
9825	0.01	0.03	0.07	0.35	0.48	0.70

Est. vol. total, Calls 0 Puts 0. Previous day's open int., Calls 6695 Puts 3047

■ **EUROLIRA OPTIONS** (LIFFE) L1000m points of 100%

Strike Price	CALLS Jun	Sep	Dec	PUTS Jun	Sep	Dec
9125	0.21	0.77	0.97	0.08	0.06	0.13
9150	0.08	0.57	0.78	0.20	0.18	0.19
9175	0.04	0.39	0.61	[illegible]	[illegible]	[illegible]

Est. vol. total, Calls 1226 Puts 200. Previous day's open int., Calls 38048 Puts 24841

BASE LENDING RATES

	%		%		%
Adam & Company	6.00	Duncan Lawrie	6.00	Royal Bk of Scotland	6.00
Allied Trust Bank	6.00	Exeter Bank Limited	7.00	●Singer & Friedlander	6.00
AIB Bank	6.00	Financial & Gen Bank	7.00	●Smith & Williamson Secs	6.00
●Henry Ansbacher	6.00	●Robert Fleming & Co	6.00	TSB	6.00
Bank of Baroda	6.00	Girobank	6.00	United Bank of Kuwait	6.00
Banco Bilbao Vizcaya	6.00	●Guinness Mahon	6.00	Unity Trust Bank Plc	6.00
Bank of Cyprus	6.00	Habib Bank AG Zurich	6.00	Western Trust	6.00
Bank of Ireland	6.00	●Hambros Bank	6.00	Whiteaway Laidlaw	6.00
Bank of India	6.00	Heritable & Gen Inv Bk	6.00	Yorkshire Bank	6.00
Bank of Scotland	6.00	●Hill Samuel	6.00		
Barclays Bank	6.00	C. Hoare & Co	6.00	● Members of London Investment Banking Association	
Brit Bk of Mid East	6.00	Hongkong & Shanghai	6.00	* In administration	
●Brown Shipley & Co Ltd	6.00	Julian Hodge Bank	6.00		
Citibank NA	6.00	●Leopold Joseph & Sons	6.00		
Clydesdale Bank	6.00	Lloyds Bank	6.00		
The Co-operative Bank	6.00	Meghraj Bank Ltd	6.00		
Coutts & Co	6.00	Midland Bank	6.00		
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GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by FT Extel, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid-prices over a rolling 52 week period.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Earnings used in calculations are based on IIMR 'Headline Earnings' formula.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

□ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.

- * Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- Figures or report awaited
- Rule 2.1(a)(iv) Overseas incorporated companies listed on an approved exchange.
- Free annual/interim report available, see details below.
- USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Rule 4.2(a) Irish incorporated non-listed companies.
- Price at time of suspension
- Indicated dividend yield after pending scrip and/or rights issue.
- Merger bid or reorganisation in progress
- Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
z Dividend yield includes a special payment

F Yield based on prospectus or other official estimates for 1996-97.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1995.
K Yield based on prospectus or other official estimates for 1996
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1995-96.
N Dividend is paid in whole or part as a

FD (Foreign Income Dividend)
R Forecast annualise yield, p/e based on prospectus or other official estimates.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xf ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1350 a year for each security shown, subject to the Editor's discretion.

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OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Fidelity Currency Funds Ltd

Pembroke Hall, Pembroke, Bermuda

Jupiter Tyndall (Bermuda) Ltd

PO Box HM1258, Hamilton, Bermuda

Newport Investment Management

73 Front Street, Hamilton, Bermuda

Orion Fund Limited

6 Front St., Hamilton, HM11, Bermuda

Orion May 9 ... $27.96

BERMUDA (REGULATED)(**)

GUERNSEY (SIB RECOGNISED)

Royal Bk of Canada O/S Fd Mgrs Ltd - Contd.

Sarasin Funds Mngmt (Guernsey) Ltd

PO Box 248, St Peter Port, Guernsey

Schroder Investment Mngmt (Guernsey) Ltd

PO Box 255, St Peter Port, Guernsey

GUERNSEY (REGULATED)(**)

ANZ Mngmt Co (Guernsey) Ltd

Apollo Investment Management Ltd

Arab Bank Fund Managers (Guernsey) Ltd

Atlantic Fund Management (Guernsey) Ltd

BZW Asset Management Guernsey Ltd

Japan Index Fund ... Y2672 2700

Bachmann Global Investment Fund Ltd

CIBC Fund Managers (Guernsey) Ltd

Castle Management (Guernsey) Ltd

Commercial Union Captives Inv Mngt

CUCIM Trust ... £1.0825

Consulta (Channel Islands) Limited

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

OTHER OFFSHORE FUNDS

OFFSHORE INSURANCES

	Selling Price	Buying Price	+ or -	Yield Gross
The Vietnam Fund Limited				
Lloyds Bank Fund Managers (Guernsey) Ltd				
NAV Fully Paid Apr 30	$11.20		...	-
Wells Fargo U.S. IT Fund				
Wells Fargo A Shs	$15.52		...	-
Wells Fargo B Shs	$14.96		...	-
Worldwide Limited				
NAV Apr 30	$84.44		...	-
Xiphias International Investment Fd Ltd				
Xiphias Global Growth	$10.22		...	-
Xiphias Int ECU Acc	Ecu12.13		...	-
Zanett Lombardier Ltd				
NAV Apr 1	$179.41		...	-
Zulauf Investment Management AG				
Zulauf Europe Ltd NAV May 10	DM1,108,045		...	-
Zweig-DiMenna International Limited				
NAV Apr 30	$149.77		...	-

MANAGED FUNDS NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars.
Yields % allow for all buying expenses.
Prices of certain older insurance linked plans subject to capital gains tax on sales.
(**) Funds not SIB recognised. The regulatory authorities for these funds are:
Bermuda - Bermuda Monetary Authority
Guernsey - Financial Services Commission
Ireland - Central Bank of Ireland
Isle of Man - Financial Supervision Commission
Jersey - Financial Services Department
Luxembourg - Institut Monétaire Luxembourgeois.
Initial charge - Charge made on sale of units.
Selling price - Bid or redemption price.
Buying price - Offer or issue price.
Time - The time shown alongside the fund manager's name is the time of the fund's valuation point unless indicated by one of the following symbols:
(♥) - 0001 to 1100 hours
(♣) - 1101 to 1400 hours
(♦) - 1401 to 1700 hours
(♠) - 1701 to midnight
E - Exit charge on sale of units.
C - Manager's periodic charge deducted from capital.
H - Historic pricing F - Forward pricing
h - Distribution free of UK taxes.
p - Periodic premium insurance plans.
s - Single premium insurance.
[illegible] - Designated as a UCITS (Undertakings for Collective Investment in Transferable Securities).
[illegible] - Offered price includes all expenses except agent's commission.
[illegible] - Previous day's price.
[illegible] - Guernsey gross.
[illegible] - Yield before Jersey tax.
† - Ex-subdivision. xd - Ex-dividend.
‡ - Only available to charitable bodies.
[illegible] - Yield column shows annualised rates of NAV increase.

The fund prices on these pages are also available on the Internet at www.FT.com

LONDON STOCK EXCHANGE

MARKET REPORT

Rights issue rumours undermine sentiment

By Steve Thompson, UK Stock Market Editor

A UK equity market expected to endure a quiet session was given a thorough shaking yesterday, with a series of bearish corporate news items mixing with a marginally disappointing inflation report for April and a small setback on Wall Street.

Adding to a generally gloomy background were murmurings that there could be a more sinister reason behind the market's poor performance. One suggestion was that a big rights issue was being lined up, with Prudential one of the names being put forward.

"This market took something of a beating and the feeling is that there is something holding it back," said the head of trading at one of the big UK securities houses.

The FT-SE 100 index closed the day 22.6 lower at 3,753.6. Selling pressure was not confined to the leaders; the second liners were also pressured and the FT-SE Mid 250 index receded 15.0 to 3,753.6.

The bad news was concentrated mostly in the oil and gas areas, where British Gas remained the market's whipping boy. The shares extended their recent alarming slide and fell to their lowest level since June 1989, partly because of a poor set of first-quarter numbers, but mostly because of the continued fallout from Monday's Ofgas report. "The shares have 180p written all over them," was the view of one marketmaker.

A big sell-off in oil shares put a large dent in the Footsie, with rumours that a resumption of Iraqi oil sales is all but signed, sealed and delivered said to have been the most damaging factor. Shell succumbed to profit-taking, prompted by the lack of any sizeable cutbacks in refining capacity, but specialists expect news on this front soon.

There was also a dose of unexpected bad news from BTR, which warned of lower first-half profits, unleashing a wave of selling of the shares. Among the second liners, British Biotech tumbled amid rumours that the progress report scheduled for next week may not be as bullish as some had expected.

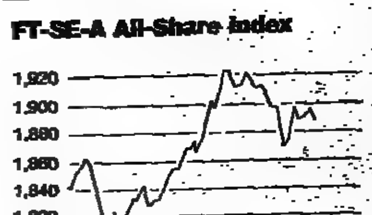
It was not all bad news for the market, however. On the plus side Glaxo Wellcome provided much needed pleasure for shareholders, indicating excellent profits progress for the current year.

Turnover expanded to 752.1m shares at 6pm, helped along by heavy activity in British Gas, PowerGen, BTR and BT. Some 34m PowerGen shares were traded, after UBS bought in 4.8 per cent of the shares for the company. A programme trade, executed by Merrill Lynch, also boosted turnover.

The composite insurances were consistently bought amid further rumours that a counter to the Royal Insurance/Sun Alliance merger could be in the pipeline, and also on hints that further alliances are on the cards; Commercial Union merging with Guardian Royal Exchange was being mentioned again.

Fund management groups provided the two top performers in the FT-SE Mid 250, Mercury Asset Management and Perpetual, with the former responding to excellent results. Grey market dealings in Railtrack, carried out by IG Index, showed the shares edging up to 206p-209p, after opening around 203p-206p.

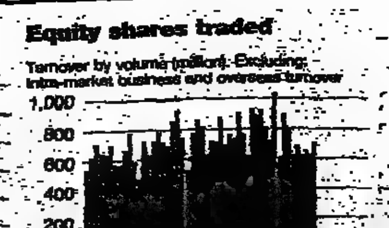
FT-SE-A All-Share index



Source: FT Extel

Equity shares traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover



Indices and ratios

FT-SE 100	3753.6	-22.6
FT-SE Mid 250	4493.8	-15.0
FT-SE-A 350	1901.0	-10.3
FT-SE-A All-Share	1886.99	-9.34
FT-SE-A All-Share yield	3.76	3.73
FT Ordinary index	2792.6	-20.0
FT-SE-A Non Fins p/e	17.22	17.33
FT-SE 100 Fut Jun	3756.00	-26.00
10 yr Gilt yield	8.03	8.04
Long gilt/equity yld ratio:	2.23	2.25

Best performing sectors

1 Pharmaceuticals +2.8
2 Other Financial +1.2
3 Consumer Goods +1.1
4 Insurance +0.9
5 Tobacco +0.7

Worst performing sectors

1 Gas Distribution -7.0
2 Diversified Industrials -2.1
3 Oil: Integrated -1.8
4 Utilities -1.6
5 Mineral Extraction -1.8

Sales boost for Glaxo

Glaxo Wellcome, the world's biggest pharmaceuticals group, bucked the London downtrend thanks to bumper sales figures.

The shares leapt 47½ to 836½p and moved so sharply that at one stage the Seaq trading system was unable to handle the changes and quoted prices went into "backwardation", the situation where bid and offer prices are apparently reversed.

Yesterday's gain came on the back of a 9 per cent rise in sales over four months, compared with market projections of a 7 cent increase over six months.

It wiped out some of the gloom experienced in early March, when analysts reduced forecasts following full-year figures at the bottom of the City's consensus range.

However, forecasts were not being dramatically revised yesterday. Analysts who had cut by about £100m to between £2.9bn and £3bn in March were edging their estimates up by only £20m yesterday.

SmithKline Beecham rose 9½ to 669p after SBC Warburg changed its stance on the stock to "hold" from "sell". Sentiment was also underpinned by an upbeat presentation to investors in the US on Wednesday and a presentation by one broker on Kredex, SmithKline's congestive heart failure treatment.

Leading conglomerate BTR crashed to the bottom end of the Footsie performance charts, following an annual meeting warning of lower profits for the first half of this year.

The announcement caught the market totally wrong-footed and revived memories of past bitter public relations clashes between BTR and the City. "BTR has put its foot in it again," said one analyst yesterday.

Most brokers were looking for first half growth. NatWest Securities had pencilled in an interim gain of 1 per cent. It has now downgraded profits for the full year by 4 per cent to £1.42bn. Kleinwort Benson came down to £1.38bn.

One problem area for the group, Polymer Taiwan, was seen as non-core to BTR. The other, Sealing Systems, was said to mostly reflect profit delays. "The stock now looks very cheap, but the City is in unforgiving mood," said Mr Bruce MacDonald, NatWest analyst. The shares ended 14 lower at 297p in turnover of 21m, the third highest volume this year.

Hanson's interim figures were in line with estimates and so was the group's forecast of maintained profits for the year. But there were worries about the cash flow trend, and the shares shed 2¼ to 194¼p.

Takeover speculation has started to return to Willis Corroon, the insurance broker which has been seen as a plum for Aon, the US group.

Heavy turnover of 6.4m shares and a rise of 3 to 151p revived rumours that Aon is keen to buy the company and could quite easily acquire the 20 per cent-plus stake held by PDFM, which is believed to have been disappointed with the stock's performance.

Aon has said that it intended to pick up a broker by this spring and is thought to have looked at Sedgwick and Willis before. Both would be attractive propositions on the surface but both also suffer from long term liabilities.

Shell Transport fell 16 to 923p as the company failed to announce the hoped-for restructuring within the European downstream side of the company.

The shares had hit a record closing high on Wednesday and the company's lack of aggression at the meeting with analysts gave an opportunity to take profits.

Also, the price of Brent crude tumbled 50 cents a barrel on concerns about a return of Iraqi exports. However, analysts were sanguine, arguing that the restructuring would happen, the dividend would rise and acquisitions would take place.

Heavy two-way business in leisure giant Ladbroke Group saw volume rise to 12m by the close of the session. The shares ended unchanged at 189p.

Rumours that SBC Warburg had a line of 5m shares in rentals and music group Thorn EMI on offer sent its shares retreating. However, there was no evidence of such a large amount of stock being available, and having fallen to a low of 1739p, the shares recovered some of the early loss to close 28 off at 1752p. Dealers were active in the stock throughout the session and volume at the close was 1.6m.

The gas attack continued yesterday. Following the regulatory review on British Gas earlier in the week, the hard pressed company announced disappointing first-quarter figures.

Historic cost profits of £573m against forecasts of £650m helped the shares tumble 14 to 174½p. The company had the dubious honour of recording the biggest percentage slide in the Footsie again. The weakness was not helped by the sale of one block of 20m shares at 173p a share.

BT's results statement was said to be mildly positive, allowing brokers to edge up profits estimates. BZW added £100m to £3.15bn for this year and NatWest Securities £20m to £3.02bn. The shares, which touched a 52-week low this week on regulatory worries, held up relatively well against the market, relinquishing only a penny to 333p.

Mercury Asset Management spearheaded another drive by fund management stocks, the shares jumping 38 to 956p in the wake of the excellent preliminary figures. SBC Warburg, a long-term bull of the stock, reiterated its £10.50 a share price target and maintained its 1997 profits forecast of £173m.

In the stores sector, there was profit-taking in Burton, which surrendered 6½ to 152½p on a trading volume of 19m shares following its interim results, which were at the top end of expectations.

But cautious comment by Burton over little sign of improvement in clothing sales cast a cloud over the sector.

Amid reports of a substantial US seller, Next tumbled 16 to 531p ahead of today's agm.

Allders moved up 17 to 240p after the company announced that it was in talks which could lead to the sale of its worldwide tax and duty free operations.

Although National Power slipped 4 to 516p, there were strong rumours that it would hand back £1bn to shareholders next week in the form of a special dividend.

In the alcoholic beverages sector, Grand Metropolitan's interim results were at the top end of expectations but the shares slipped 6 to 440p after the company was a little less positive over spirits pricing than earlier in the year.

Caravan maker ABI Leisure forged ahead 34 to a new 52-week high of 121p.

Lloyds underwriting agency Ockham Holdings advanced 11 to 73p on a statement that profits are likely to substantially exceed the previously anticipated £7m.

CORRECTION

Wednesday's column incorrectly stated that the retailer Powerhouse was in administration and was closing 31 stores. The company concerned is called Powerstore.

MARKET REPORTERS:
Peter John, Joel Kibazo, Jeffrey Brown, Lisa Wood.

FINANCIAL TIMES EQUITY INDICES

	May 16	May 15	May 14	May 13	May 10	Yr ago	*High	*Low
Ordinary Share	2792.6	2812.8	2801.7	2794.5	2812.8	2499.6	2865.2	2698.7
Ord. div. yield	3.95	3.95	3.98	3.98	3.96	4.24	4.08	3.76
P/E ratio net	16.49	16.56	16.48	16.42	16.48	16.06	17.25	15.96
P/E ratio nil	16.26	16.33	16.25	16.19	16.26	15.88	17.08	15.76

Ordinary Share index since compilation: high 2865.2 19/04/96; low 49.4 26/06/40. Base Date: 1/7/35.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2806.6	2810.3	2802.2	2801.3	2794.8	2786.1	2786.3	2788.5	2792.6	2810.6	2784.9

	May 16	May 15	May 14	May 13	May 10	Yr ago
SEAQ bargains	31,971	33,480	32,985	34,710	31,942	26,091
Equity turnover (£m)†	-	1880.1	1725.3	1482.8	1977.4	1618.5
Equity bargains†	-	40,032	37,890	39,818	37,877	38,488
Shares traded (ml)†	-	718.8	703.9	623.2	649.5	734.5

†Excluding intra-market business and overseas turnover.

	May 16	May 15	May 14	May 13	May 10	Yr ago	*High	*Low
FT-SE AIM	1075.60	1072.10	1073.50	1068.60	1065.10	-	1075.60	965.68

*For 1996.

■ London market data

Rises and falls*		52 Week highs and lows		LIFFE Equity options	
Total Rises	594	Total Highs	164	Total contracts	61,136
Total Falls	652	Total Lows	23	Calls	25,397
Same	1510			Puts	35,739

May 16 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	3773.0	3756.0	-26.0	3776.0	3737.0	14143	58803
Sep	3785.0	3770.5	-26.5	3785.0	3768.5	1582	6234
Dec	-	3800.5	-26.5	-	-	0	247

■ FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	-	4520.0	-	-	-	0	4141

■ FT-SE 100 INDEX OPTION (LIFFE) (*3753) £10 per full index point

[illegible]

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

[illegible]

Calls 3,411 Puts 5,855 * Underlying index value. Premiums shown are based on settlement prices. † Long dated expiry months.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1996 High	1996 Low	Stock
-	F.P.	21.2	136	115	†Active Imaging
-	F.P.	18.8	98	94	AIM Distrbn
-	F.P.	44.2	101	101	AIM Trust
-	F.P.	137.9	746	674	Atlantis Japan
-	F.P.	-	175	125	Siccomptible Unit
105	F.P.	12.8	124	118	†CA Coutts
-	F.P.	13.2	1080	850	Cairngorm Units
100	F.P.	9.40	96	94	Capital Co's VCT
-	F.P.	7.84	39	39	†FNR
-	F.P.	23.8	97½	94	Gartmore Select
-	F.P.	5.67	4½	3½	†Just Group
150	F.P.	32.9	160	155	†La Senza
-	F.P.	49.0	230	223	MSB Int'l
-	F.P.	108.1	276	220	Malcon Group
278	F.P.	497.4	337	278	Mill & Copthorne
-	F.P.	5.25	143	136	Premiere Group
-	F.P.	42.8	63	43	†Reflec
-	F.P.	-	100	98	Singer & Fdr AIM
-	F.P.	6.12	4½	3½	†Sira Bus Serv
-	F.P.	6.55	95	75	†Sirrus
-	F.P.	18.0	11	7¼	†Thomas Potts
-	F.P.	2.99	56	43	†Tom Hoskins
-	F.P.	30.8	186	180	†Tradepoint Fincl
452	F.P.	149.9	633	598	Vanguard Medica
45	F.P.	13.4	57	52	†Waterfall

† Alternative Investment Market. For a full explanation of all other symbols please refer to The London Share Service notes.

FT GOLD MINES INDEX

	May 16	% chg on day	May 14	Year ago	Gross div yield %	P/E ratio	52 week High	52 week Low
Gold Mines Index (31)	2368.76	-0.1	2370.40	1940.87	1.32	-	2580.73	1722.88
■ Regional Indices								
Africa (13)	3195.91	+0.6	3174.74	2522.64	2.28	44.29	3553.86	2272.74
Australasia (6)	2812.79	-1.9	2862.11	2280.88	2.54	28.95	2927.34	2098.51
North America (12)	2099.21	-0.1	2101.07	1585.76	0.86	73.79	2186.39	1488.94

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FT - SE Actuaries Share Indices — The UK Series

	May 16	Day's chge%	May 15	May 14	May 13	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
FT-SE 100	3753.6	-0.6	3776.2	3759.7	3789.2	3295.9	3.55	2.13	14.78	72.43	1529.60
FT-SE Mid 250	4493.8	-0.3	4508.8	4509.8	4512.4	3819.5	3.34	1.76	21.28	77.90	1799.02
FT-SE Mid 250 ex Inv Trusts	4532.1	-0.3	4546.4	4549.8	4554.9	3823.5	3.45	1.80	20.15	82.94	1817.40
FT-SE-A 350	1901.0	-0.5	1911.3	1904.9	1897.1	1624.1	3.83	2.08	15.88	35.85	1583.59

[illegible]

■ FT-SE Actuaries All-Share

[illegible]

■ Hourly movements

[illegible]

■ FT-SE Actuaries 350 Industry baskets

[illegible]

TRADING VOLUME

■ Major Stocks Yesterday

[illegible]

PAN - HOLDING

Société Anonyme – Luxembourg
R.C. Luxembourg: B 7023

7, Place du Théâtre, Boîte Postal 408, L-2014 Luxembourg
Telephone: (352) 46 24 01/46 24 02 Telefax: (352) 46 25 27

PRESS RELEASE FOLLOWING THE ANNUAL GENERAL MEETING OF APRIL 30, 1996

DIVIDEND

Following the vote at the Extraordinary General Meeting on February 2, 1996, there are now two classes of PAN-HOLDING shares which can be purchased or sold at net asset value +/- 0.50%. They both continue to be quoted on the Luxembourg Stock Exchange and Over the Counter in Paris:

1) Capital Shares are not entitled to receive a cash dividend;

2) Dividend Shares are entitled to receive a cash dividend.

The Annual General Meeting of April 30, 1996, has declared for 1995 a dividend of US $ 5.80 per Dividend Share (compared to the dividend of US $ 5.50 paid the previous year) for shareholders of record at close of market on May 31, 1996. The dividend, free of withholding tax in Luxembourg, will be payable as of June 3, 1996 on the Dividend Shares (coupon Nr. 2 for bearer shares) and the amount corresponding to the dividend will be attributed to the Capital Shares.

CURRENT GEOGRAPHIC BREAKDOWN OF ASSETS

Cash	10.50%	Japan	17.89%
North America	20.14%	Europe	40.45%
Pacific Basin ex-Japan	8.26%	Gold bullion and gold mines	2.76%

PERFORMANCE

NET ASSET VALUE AS OF MAY 15, 1996

PER SHARE OF US$ 50	DIVIDEND SHARE*	CAPITAL SHARE
	US$	US$
NET ASSET VALUE	387.54	387.54
SALE PRICE	389.48	389.48
REPURCHASE PRICE	385.60	385.60

*Effective June 3, 1996, date of payment of the US $ 5.80 dividend, the value of the Dividend Share will be lower than that of the Capital Share.

As of May 15, 1996, the net asset value per share is up 6.24% from December 31, 1995.

Pan-Holding's 1994 and 1996 legal structure transformations which served in particular to enhance the shares' liquidity did not alter the Company's policy which consists of globally diversified active equity management. Short term performance has been strong (12.04% rise for the 12 months ending April 1996); longer term results have been strong as well as the net asset value with dividends reinvested, expressed in US $, rose by 9.05% annualized over 5 years, by 10.06% annualized over 10 years, and by 11.27% annualized over 15 years for the periods ending April 1996.

*****

The 1995 annual report and the prospectus dated February 2, 1996 are available upon request at the Company's registered office, 7, Place du Théâtre, Boîte Postale 408, L-2014 Luxembourg, Telephone: (352) 46 24 01/(352) 46 24 02 Telefax: (352) 46 25 27.

WORLD STOCK MARKETS

EUROPE

AUSTRIA (May 15 / Sch)

BELGIUM/LUXEMBOURG (May 15 / Frs.)

CZECH REP (May 16 / Korunas)

DENMARK (May 15 / Kr)

FINLAND (May 15 / Mks)

FRANCE (May 15 / Frs.)

GERMANY (May 15 / Dm.)

GREECE (May 16 / Drachmas)

ITALY (May 16 / Lire)

NETHERLANDS (May 15 / Fls.)

NORWAY (May 15 / Kroner)

POLAND (May 16 / Zloty)

PORTUGAL (May 16 / Escudo)

SPAIN (May 16 / Pts.)

SWEDEN (May 15 / Kronor)

SWITZERLAND (May 15 / Frs.)

TURKEY (May 16 / Tk Lira)

In Europe's crowded skies, Rockwell Avionics plays a key role in promoting safety and efficiency

Rockwell

PACIFIC

JAPAN (May 16 / Yen)

AUSTRALIA (May 16 / AusS)

HONG KONG (May 16 / H.K.$)

INDONESIA (May 16 / Rupiah)

MALAYSIA (May 16 / MYR)

NEW ZEALAND (May 16 / NZ $)

SINGAPORE (May 16 / S$)

SOUTH KOREA (May 16 / Won)

TAIWAN (May 16 / TW $)

THAILAND (May 16 / Baht)

AFRICA

SOUTH AFRICA (May 16 / Rand)

NORTH AMERICA

CANADA

TORONTO (May 16 / Can $)
4 pm close

MONTREAL (May 16 / Can $)
4 pm close

INDICES

	May 16	May 15	May 14	1996 High		1996 Low	
Argentina							
General(29/12/77)	(u)	18590.92	18118.32	18181.68	31/1	16926.81	19/3
Australia							
All Ordinaries(1/1/80)	2245.5	2260.2	2261.8	2326.08	29/4	2187.40	11/3
All Mining(1/1/80)	1077.5	1078.9	1085.5	1118.48	8/5	1004.70	15/1
Austria							
Credit Aktien(30/12/84)	(c)	381.40	379.51	387.24	25/4	352.78	2/1
Traded Index(2/1/91)	(c)	1112.71	1106.99	1131.21	26/4	875.27	2/1
Belgium							
BEL20(1/1/91)	(c)	1729.35	1719.75	1758.71	7/3	1574.90	3/1
Brazil							
Bovespa(29/12/83)	(u)	54425.0	54281.0	54281.00	14/5	40801.00	2/1
Canada							
Metals Minls(1975)	(u)	5529.91	5548.52	5824.80	8/5	4887.47	16/1
Composite(1975)	(u)	5213.00	5206.60	5208.80	14/5	4739.70	15/1
Portfolio(4/1/83)	(u)	2543.56	2545.09	2545.09	14/5	2327.38	12/1
Chile							
IPSA Gen(31/12/80)	(u)	5590.84	5616.26	5804.33	8/1	5215.28	8/4
Denmark							
CopenhagenSE(3/1/83)	(c)	400.04	399.66	400.83	8/5	358.40	2/1
Finland							
HEX General(28/12/90)	(c)	1990.69	1965.94	1990.89	15/5	1651.67	10/1
France							
SBF 250(31/12/90)	(c)	1444.20	1441.36	1453.88	30/4	1250.18	2/1
CAC 40(31/12/87)	(c)	2124.64	2122.08	2149.79	30/4	1897.85	11/1
Germany							
FAZ Aktien(31/12/58)	(c)	891.28	887.70	902.33	23/4	818.66	2/1
Commerzbank(1/12/53)	(c)	2569.00	2556.7	2601.90	23/4	2370.20	2/1
DAX(30/12/87)	(c)	2528.75	2519.73	2550.18	23/4	2284.86	2/1
Greece							
Athens SE(31/12/80)	914.62	911.97	919.33	1017.96	4/3	901.03	29/4
Hong Kong							
Hang Seng(31/7/64)	10833.41	10863.83	10817.88	11694.99	16/2	10204.87	2/1
India							
BSE Sens.(1979)	3823.11	3796.29	3810.13	3869.87	24/4	2828.09	25/1
Indonesia							
Jakarta Comp.(10/8/82)	(c)	619.84	618.02	630.21	24/4	512.48	2/1
Ireland							
ISEQ Overall(4/1/88)	2515.0	2534.0	2536.00	2538.09	1/5	2234.61	2/1
Italy							
Banca Comm Ital(1972)	682.14	665.42	668.95	668.95	14/5	572.21	23/3
MIB General(2/1/96)	1122.0	1128.0	1131.0	1131.00	14/5	970.89	27/3
Japan							
Nikkei 225(16/5/49)	22147.21	22055.97	21301.05	22282.85	24/4	19734.70	13/3
Nikkei 300(1/10/82)	313.71	312.77	305.36	318.06	25/4	294.48	11/3
Topix(4/1/68)	1697.56	1690.16	1652.01	1718.00	26/4	1524.12	13/3
2nd Section(4/1/68)	2236.36	2220.37	2193.90	2243.28	2/5	1982.78	14/3
Malaysia							
KLSE Comp.(4/4/86)	1149.98	1154.09	1163.99	1189.54	30/4	993.16	2/1
Mexico							
IPC(Nov 1978)	(u)	3232.14	3250.33	3284.49	19/4	2736.36	8/3
Netherland							
CBS TtlRtnGen(End 83)	(c)	633.0	636.9	633.00	15/5	539.50	3/1
CBS All Shr(End 83)	(c)	378.5	375.1	378.50	15/5	326.78	2/1
New Zealand							
Cap. 40(1/7/86)	2071.01	2080.12	2092.64	2203.08	4/1	2044.71	24/1
Norway							
Oslo SE(Ind)(2/1/83)	(c)	1409.00	1414.14	1444.72	29/4	1259.88	30/1
Philippines							
Manila Comp(2/1/85)	3112.42	3123.57	3126.90	3129.08	9/5	2578.97	3/1
Portugal							
BVL 30(4/1/93)	1839.48	1829.48	1818.73	1851.40	7/5	1602.81	2/1
Singapore							
SES All-S'pore(2/4/75)	578.23	575.12	582.88	610.37	5/2	553.89	3/1
South Africa							
JSE Gold(28/9/78)	2027.7♥	2020.2	2000.5	2027.70	16/5	1348.40	2/1
JSE Ind.(28/9/78)	7873.2♥	7952.8	7997.2	8738.30	25/1	7755.60	9/5
South Korea							
KoreaCmpEx(4/1/80)	941.01	958.17	964.11	986.84	7/5	838.87	13/3
Spain							
Madrid SE(30/12/85)	357.01	(u)	357.10	381.78	26/4	323.75	11/1
Sweden							
AffarsvarldnGen(1/2/37)	(c)	1973.1	1970.3	1973.10	15/5	1786.88	22/1
Switzerland							
Swiss Bk Ind(31/12/58)	(c)	1727.23	1729.98	1779.54	26/4	1516.19	17/1
SBC General(1/4/87)	(c)	1225.18	1227.77	1259.89	26/4	1114.47	26/1
Taiwan							
WeightedPr.(30/6/66)	6096.93	6065.41	6155.83	6182.70	29/4	4898.22	6/2
Thailand							
Bangkok SET(30/4/75)	1302.34	1326.60	1319.26	1415.04	8/2	1247.79	13/3
Turkey							
Istanbul Cmp.(Jan 1986)	66484.9	64562.1	67768.5	72086.80	8/4	38779.30	2/1
WORLD							
MS Capital Intl(1/1/70)	775.1*	775.5	772.8	779.40	29/4	726.90	15/1
CROSS-BORDER							
Eurotrack 100(26/10/90)	1682.03	1682.60	1676.81	1682.57	26/4	1504.48	11/1
Euro Top-100(26/6/90)	1443.87	1447.39	1444.30	1458.28	26/4	1333.01	11/1
HSBC JC Drgn(31/12/88)	(u)	376.36	377.73	383.16	16/4	344.19	2/1
ING Bmgs Emrg(7/1/92)	162.71	163.38	164.14	164.14	14/5	147.35	2/1

INDEX FUTURES

	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
CAC-40 (200 x Index) (May 15)							
May	2116.0	2116.0	+3.5	2117.0	2105.0	9,620	32,956
Jun	2095.5	2095.5	+3.55	2095.5	2095.0	288	31,163
DAX (May 15)							
Jun	2534.0	2536.5	+5.5	2538.0	2525.5	17,558	-
Sep	2562.5	2555.0	+6.0	2555.5	2544.5	569	-

	Open	Sett Price	Change	High	Low	Est. vol.	Open Int.
OMX							
Apr	-	1518.00	-	-	-	-	-
May	-	1510.50	-	-	-	-	-
SOFFEX (May 15)							
May	3584.0	3563.0	-21.0	3591.0	3560.0	5,609	11,544
Jul	-	3542.5	-	-	-	300	2,639

** Sat May 11: Taiwan Weighted Price 6145.77; Korea Comp Ex 970.84. Base values of all Indices are 100 except Australia All Ordinary and Mining - 500; Austria Traded, BEL20, HEX Gen., MIB Gen., BVL 30, SBF250, CAC40, Euro Top-100, ISEQ Overall; Toronto Comp. Metals & Minerals and DAX - all 1,000; JSE Gold - 255.7; JSE 26 Industrials - 264.3; NYSE All Common - 50 and Standard and Poor's - 10. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. † IBIS/DAX after-hours index: May 15 - 2534.40 +6.20

US INDICES

Dow Jones	May 15	May 14	May 13	1996 High	1996 Low	Since compilation High	Since compilation Low
Industrials	5625.44	5624.71	5582.60	5689.74 (3/4)	5032.94 (10/1)	5689.74 (3/4/96)	41.22 (2/7/32)
Home Bonds	101.57	101.44	101.34	106.09 (14/2)	101.19 (8/5)	109.77 (18/10/93)	54.99 (1/10/81)
Transport	2255.65	2229.22	2225.81	2229.22 (14/5)	1882.71 (18/1)	2229.22 (14/5/96)	12.32 (8/7/32)
Utilities	214.22	213.74	213.32	234.08 (12/2)	205.42 (7/5)	256.48 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's high 5691.57 (5653.12) Low 5590.72 (5566.12) (Theoretical♦)
Day's high 5673.10 (5633.57) Low 5618.53 (5581.86) (Actual♦)

Standard and Poors	May 15	May 14	May 13	1996 High	1996 Low	Since compilation High	Since compilation Low
Composite‡	665.42	665.60	661.51	665.60 (14/5)	598.48 (10/1)	665.60 (14/5/96)	4.40 (1/6/32)
Industrials♥	791.46	790.95	785.26	790.95 (14/5)	702.07 (15/1)	790.95 (14/5/96)	3.62 (21/6/82)
Financial	66.21	66.44	66.07	68.96 (5/3)	58.67 (10/1)	68.56 (5/3/96)	8.64 (1/10/74)
NYSE Comp.	356.64	356.52	354.33	356.52 (14/5)	321.41 (10/1)	356.52 (14/5/96)	4.46 (25/4/42)
Amex Mkt Val	600.55	600.78	597.25	600.78 (14/5)	529.05 (18/1)	600.78 (14/5/96)	29.31 (9/12/72)
NASDAQ Cmp	1233.56	1234.49	1221.87	1234.49 (14/5)	988.57 (15/1)	1234.49 (14/5/96)	54.87 (31/10/72)

RATIOS

	May 10	May 3	Apr 26	Year ago
Dow Jones Ind. Div. Yield	2.20	2.21	2.17	2.47
	May 15	May 8	May 1	Year ago
S & P Ind. Div. yield	1.86	1.92	1.86	2.21
S & P Ind. P/E ratio	21.96	21.26	21.60	18.77

NEW YORK ACTIVE STOCKS

Wednesday	Stocks traded	Close price	Change on day
Unisys	18,076,500	9	+1½
Coca Cola	6,382,200	44½	+⅛
General Mtrs	5,824,800	62	+3¼
Ford Motor	5,823,100	36¼	-⅛
Federal Nat M	4,799,400	31¾	-⅛
AT & T	4,586,000	63½	+¾
Compaq Cmp	3,837,800	47¼	+⅝
RJR Nabisco	3,583,400	30¼	-⅛
Merck	3,541,500	61⅝	+¼
Consld Edison	3,514,000	28½	-⅛

TRADING ACTIVITY

Volume (million)	May 15	May 14	May 13
New York SE	419.571	451.401	394.159
Amex	25.507	29.841	26.659
NASDAQ	706.408	713.086	611.793
NYSE			
Issues Traded	3,150	3,166	3,137
Rises	1,244	1,526	1,689
Falls	1,140	864	700
Unchanged	766	776	748
New Highs	193	214	158
New Lows	7	9	8

	Open	Latest	Change	High	Low	Est. vol.	Open int.
S&P 500							
Jun	667.25	664.90	-2.45	667.25	664.80	78,451	184,787
Sep	-	673.00	-	-	668.50	2,375	14,601

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Nikkei 225							
Jun	22250.0	22200.0	+130.0	22310.0	22200.0	23,482	276,217
Sep	22280.0	22260.0	+160.0	22380.0	22280.0	2,241	20,305

Open interest figures for previous day

† Correction * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♦ The DJ Ind. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock, whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

TOKYO - MOST ACTIVE STOCKS: Thursday, May 16, 1996

	Stocks Traded	Closing Prices	Change on day
Nippon Stl Corp	11.1m	377	+2
Nagasakiya	9.2m	923	+100
Kinki Sharyo	6.8m	836	+16
Sumitomo Mtl Ind	6.1m	337	+2
Hitachi	5.1m	1100	+10
Tokyu Land Corp	4.8m	573	+33
Nissho Iwai	4.7m	621	+5
Mitsubishi Hvy	4.4m	930	-8
Toshiba Corp	4.3m	799	-3
Chino Corp	3.8m	751	+31

Prices supplied by Telekurs

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. Highs/Lows are based on data from Jan 1 1996. ¤ Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. † Priced in US $.

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NEW YORK STOCK EXCHANGE PRICES

4 pm close May 16

1996 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
23	19⅛	AAR	0.48	2.1	24	129	u23	22½	22½	-⅛
46⅛	38⅜	AMP x	1.00	2.3	21	2704	42¾	42⅜	42⅝	
95	68	AMR			23	5927	u95	93	94⅛	+⅞
50½	37⅞	ASA x	1.80	4.0	29	153	45¼	44¾	45¼	+⅛
44¾	35⅛	AbbtL	0.96	2.3	18	10162	41¼	40½	40⅞	-⅞
17¼	13⅜	Abitibi Pr	0.40	2.8	7	422	14½	14⅛	14⅜	-¼
36	27	ABM Ind	0.70	2.0	16	43	35⅞	35¼	35⅞	-⅞
16⅞	13⅞	Acptncele			44	59	d16⅞	16⅝	16⅞	+¾
50⅝	37¾	ACE Ltd	0.66	1.3	10	2858	44⅝	43⅝	44⅝	+1¼
9⅞	9⅛	ACM Gvt In x	0.90	9.2	8	548	9¾	9⅝	9¾	
7⅞	6¾	ACM GvOpp x	0.57	8.3		3	6⅞	6⅞	6⅞	
7¼	6¼	ACM Gvt Sp x	0.66	10.2		151	6½	6⅜	6½	+⅛
9⅛	8¼	ACM Gvt Se x	0.90	10.4		210	8⅝	8½	8⅝	+⅛
9½	8¾	ACM Man x	0.90	9.9		293	9⅛	9	9⅛	
30¾	16½	AcmeCiv	0.52	1.7	7	46	29⅞	29⅞	29⅞	-⅛
13⅞	6⅛	Acme Elect	-		66	766	12½	11⅝	12	+⅛
32½	27¾	Acordia	0.72	2.3	19	7	31⅞	31¾	31¾	-⅛
21⅞	12	Acuson			91	2376	20⅞	19⅞	20⅛	-⅞
19½	16⅞	Adams Expr x	1.66	8.7	0	334	19	18⅞	19	-⅛
21¼	16⅛	AdvMic			7	8291	18¾	18⅛	18⅝	+¼
11⅛	8½	Advest Grp	0.16	1.5	7	13	10⅞	10¾	10¾	
20⅛	9⅛	Advo Inc	0.10	0.9	60	122	11¼	10⅞	10⅞	-⅛
50⅞	41⅛	Aegon	1.23	2.5	15	86	50⅛	49¾	50	+¼
6¾	3½	Aerflx			4	2064	u6¼	5⅞	6¼	+⅜
76¾	68⅜	AetnaL	2.76	3.9	18	3897	71⅛	70½	70½	-½
33	28¾	Aflac x	0.40	1.3	13	2379	31⅜	30½	31	-⅜
20⅝	17½	AGL Res	1.06	5.9	15	529	18⅛	17¾	17⅞	+⅛
26¾	21¼	Ahmanson x	0.88	3.5	7	2849	25¼	24¾	25	+⅛
59¼	50⅜	AirPrC	1.04	1.8	15	2623	59	58⅝	58⅞	+⅛
28⅜	23½	Airbne Frt x	0.30	1.1	24	1502	28⅜	25⅞	26⅝	+¾

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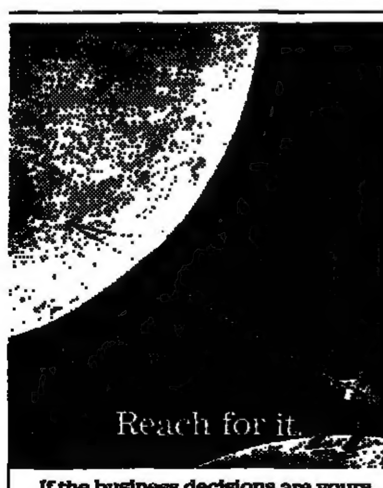

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4 pm close May 16

NYSE PRICES

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Yearly highs and lows for NYSE reflect the period from Jan 1 1995. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

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NASDAQ NATIONAL MARKET

4 pm close May 16

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AMEX PRICES

4 pm close May 16

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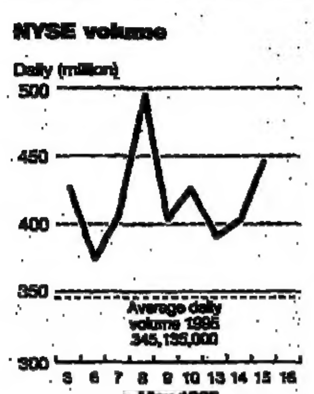
AMERICA

Hewlett disappoints, Dow falters

Wall Street

Pressure from falling bonds and disappointing earnings from Hewlett-Packard, a leading US maker of printers and computers, helped to send US shares lower in quiet trading at midsession yesterday, *writes Lisa Bransten in New York.*

At 1 pm, the Dow Jones Industrial Average was off 7.38 at 5,618.06, the Standard & Poor's 500 had declined 2.04 to 663.38 and the American Stock Exchange composite was up just 0.91 at 601.46. New York Stock Exchange volume had reached 216m shares.



Hewlett reported that its quarterly earnings were $1.27 per share, 8 cents a share lower than analysts' expectations, sending its stock down $6⅝ or 6 per cent to $106. Although Hewlett trades on the NYSE, the result put pressure on the technology sector, which is concentrated in the Nasdaq composite.

In the early afternoon the Nasdaq was off 1.63 at 1,231.82 and the Pacific Stock Exchange technology index was 0.7 per cent lower.

Microsoft fell $1⅞ to $115⅞, Intel was $1 lower at $71⅞ and Gateway 2000 lost $⅞ at $36⅞.

Falling oil prices took a toll on the Dow index, which includes three oil companies among its 30 companies.

Early reports suggested that a deal allowing Iraq to sell oil to raise money for food could go through in the next few days. Chevron lost $1⅛ at $57⅞, Exxon slipped $⅞ to $84⅜ and Texaco was $1⅛ weaker at $81⅞.

Chrysler was $1⅞ higher at $66⅞ in active trading after the car maker announced that its board of directors had approved a stock split and raised the pre-split dividend from 50 cents to 60 cents a share.

ValuJet slid $⅝ or 6 per cent to $13⅞ on reports that Saturday's crash of its DC-9 in Florida might have been the result of outdated air canisters the airline was carrying back to its headquarters in Atlanta.

The carrier said yesterday that it believed it had sufficient liability insurance to cover the cost of accident-related claims.

AnnTaylor added $1⅛ at $22⅞ after the specialty retailer said first-quarter profits were 8 cents a share, a cent ahead of analysts' estimates.

Canada

Toronto stocks were weak in midsession trade, following the Canadian bond market downward after posting three days of gains. The TSE-300 composite index lost 15.65 to 5,197.10 in hefty volume of 59.4m shares.

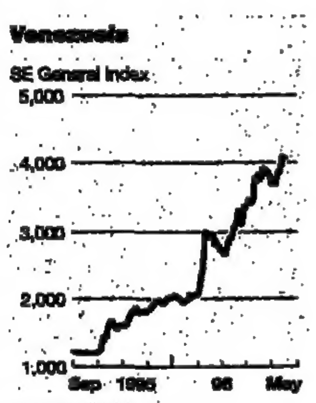
Among individual stocks, Black Swan Gold Mines overcame early weakness to trade 14 cents higher at C$1.78.

Bre-X Minerals surged C$8.95 to C$233.70 after news that the popular stock, which has a gold find of roughly 30m ounces in Indonesia, will split shares on a 10-for-one basis. Traders said Bre-X's ascent was also fuelled by an increase in analysts' target price for the stock. One analyst at Nesbitt Burns has boosted his outlook to C$270 per share, with further increases if forthcoming drill results were positive.

Liberian Iron Ore was weak, dropping C$2.45 to C$4.30.

Caracas mildly lower

Caracas was suffering some profit-taking in early trading following Wednesday's record close which had been prompted by a 16 percentage-point fall in government bond yields. At midsession the Merinvest index was down 18.61 at 4,069.62. Brokers commented that the market was being supported by heavy domestic and foreign interest.



SAO PAULO was treading water at midsession as investors awaited a Supreme Court ruling on technical issues related to bidding for Light, the power distributor for the city of Rio de Janeiro.

The Bovespa index was up 278.30 at 54,762.

The Supreme Federal Tribunal had been due to rule on Wednesday on two injunctions which would allow two companies to use bonds for the full value of the company when it is privatised on May 21. However, the Tribunal postponed the ruling until yesterday.

MEXICO CITY was also down on profit-taking, with the IPC index showing a fall at midday of 17.13 at 3,215.01.

Rand shockwaves extend to equities

Mark Ashurst reports on the aftermath of currency volatility in Johannesburg

Mr Trevor Manuel, South Africa's first black finance minister appointed from within the ranks of the ruling African National Congress, has devoted most of his adult life to the anti-apartheid struggle. *His* six-week tenure has propelled him into a new struggle to learn the language of the global money markets.

Since succeeding Mr Chris Liebenberg, an independent banker from the private sector, *Mr Manuel has been unable to* stem the collapse of the rand. The unit has lost 20 per cent of its value since February 16, when an unfounded rumour that President Nelson Mandela had suffered a heart attack prompted the first stage of its devaluation.

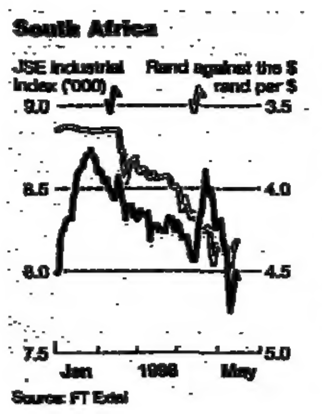
The heightened perception of political risk following Mr Liebenberg's resignation in late March prompted widespread sales of blue chip industrial counters by foreign investors. In dollar terms, South African Breweries, the largest industrial conglomerate and one of the few blue chip stocks that offers reasonable liquidity to new buyers, fell from $39.50 in January to $26 prior to this week's results announcement.

However, foreigners were overall buyers of South African equities in the weeks before the interest rate rise on April 26. Industrials staged a strong recovery in the second and third weeks of that month as the weak rand fuelled hopes of higher exports. The shift of the industrial board to screen-based trading also maintained volumes, which would have been unlikely under the old open-outcry system.

Rand-hedge stocks also prospered, notably Sasol, the synthetic fuels producer which has its costs in rands but sells a *product with a barrel price set* in dollars in line with international crude prices. Between February 15 and April 26, the counter gained 52 per cent before dividends, rising to a peak of R47.75. It has since lost about 30 per cent in the wake of the higher interest rates, which have depressed even De Beers, the market leader.

Meanwhile, expectations grew that the weaker rand would offset the softening dollar bullion price and boost profits at South African gold mines. This assumption was justified by strong results for the first quarter.

The gold shares index has followed a fairly stable upward path after a period of volatility in late February and early March. It rose steeply ahead of the interest rate increase, as investors anticipated the setback in the industrial sector and bought into gold.



Its attraction as a rand hedge has continued, with the gold index reaching new highs this week while industrials lost ground. However, dealers said that foreigners frustrated with the volatility in the equities market were switching into bonds. They expected the all-share index closely to follow Wall Street pending new developments in the local market.

Yesterday, industrials ended a quiet day softer again in a generally negative market but golds were slightly firmer, with some recent poor company results adding to the gloom in the industrials market.

The overall index was 33 down at 6,793, the industrials index lost 73.6 to 7,879.2 and the golds index edged up 7.5 to a fresh 1996 high of 2,027.7.

The future is uncertain. The successive plunges in the rand, and a *subsequent* 1 per cent rise in the central bank rate to 16 per cent on April 26, have highlighted the market's vulnerability to rumour and the painful impact of relatively thin trade. In contrast to the euphoria that followed the *peaceful election two years ago*, political developments can no longer reassure the market.

The traditional stability of the tightly held equities market has added to the shock of the slide in the rand. Several big London-based firms, with heavy positions in South African equities and bonds, have advised clients to be wary. Merrill Lynch last week confirmed it would "tone down our aggressive overweight to a more moderate stance, essentially putting our commitment to the market on hold".

According to Mr Jacko Maree, managing director of Standard Corporate and Merchant Bank: "There is no doubt that a lot of foreign investors have lost money, and they will be replaced by a different kind of investor accustomed to higher risk. The most worrying part is the volatility. It is not so much what has happened to the rand as the way it has happened."

However, not all foreign investors are downbeat. In a note this week, Mr Nicholas Knight and Ms Allison Southey at Nomura say that they could not "get too fussed" about recent political developments, seeing the events as growing pains, which may bring discomfort for a short while but are soon forgotten. They say *they had no intention of reducing* their 3 per cent exposure to South Africa in their model global equity portfolio, "which is more than we can say about some other emerging markets we follow".

"Our return to the global economy is *well on track*. The buffeting the rand has taken is entirely a result of globalisation," notes Mr Terry Davidson, managing director of Citibank in Johannesburg.

After a meeting with Mr Manuel this week, Dr Chris Stals, governor of the Reserve Bank, said he had reached agreement on the need to manage the gradual abolition of exchange controls by doing "smaller things more regularly". It is a moot question whether this will calm or excite nervous investors.

EUROPE

Repsol off by 2% more

Most bourses were closed for Ascension Day. **MADRID** reflected its results season as the general index closed just 0.09 lower at 357.01.

Repsol, whose past quarterlies had outperformed those of other oil majors, fell another 2 per cent on this week's disappointing figures, shedding Pta90 at Pta4,345.

In retailing, Continente and Cortefiel put on 2.1 and 7.5 per cent, rising Pta60 to Pta2,910 and Pta200 to Pta2,850 as they pressed on with investor roadshows in London and Scotland.

MILAN, weak but quiet, awaited the formal *appointment of Mr Romano Prodi* as prime minister, the formation of his team and further news of the mini-budget. The Comit index eased 3.28 to 659.14.

Against the trend, Stet jumped L109 to L5,500 on a possible alliance with Cable and Wireless and Veba.

Parmalat dropped L51 to L1,676, extending Wednesday's loss after the announcement of a capital increase.

Cartiere Burgo was lifted L194 to L9,000 on hopes that the company could expect a better performance in the second half of this year.

WARSAW rebounded following four consecutive falling sessions, the Wig index gaining 0.5 per cent to 12,810.3, but brokers were braced for another decline today on publication of inflation data for April.

WBK jumped 4.1 per cent on news that the Allied Irish Bank group had bought a 20 per cent stake, lifting its minority shareholding to 36.3 per cent.

ISTANBUL recovered 3 per cent of Wednesday's 5 per cent fall on what dealers described as a technical rebound. The composite index made 1,922.82 to 66,484.93.

TEL AVIV was depressed by higher than expected CPI data, and the Mishtanim index lost 2.50 or 1.2 per cent to 200.20 in turnover of Shk84m.

Teva Pharmaceutical Industries, which hit an all-time high on Wednesday, fell 4 per cent to Shk147,086.4.

Written and edited by William Cochrane, Michael Morgan and John Pitt

ASIA PACIFIC

Bangkok suffers its heaviest fall in two months

Finance stocks were sold off in Bangkok, which suffered its heaviest fall in two months. But an afternoon power cut caused the session to end prematurely.

The *SET index fell* 34.26 to 1,302.34 in volume of 94m shares valued at Bt7bn.

Brokers observed that domestic funds sold National Finance on reports that the company's disappointing first-quarter performance had been the result of bad loans in its finance business. The stock slid Bt11 to Bt107.

TelecomAsia was the day's most active stock, losing Bt5.50 at Bt80.50 in 9.4m shares dealt.

Tokyo

Small-lot buying of blue chips supported share prices and the Nikkei average closed marginally higher in spite of broadly based profit-taking, *writes Emiko Terazono in Tokyo.*

The 225 index rose 91.24 to 22,147.21 after moving between 22,062.19 and 22,251.41. Arbitrage buying was triggered by a rally on the futures market in Osaka, small-lot buying by foreigners and domestic institutions absorbed profit-taking, and individual investors continued to dabble in speculative favourites.

Volume totalled 558m shares, against 537m. The Topix index of all first section stocks rose 7.40 to 1,697.56 and the Nikkei 300 by 0.94 to 313.71. Advances led declines by 761 to 336, with 144 issues unchanged.

In London the ISE/Nikkei 50 index eased 0.17 to 1,478.62.

Traders said that the Nikkei 225's four-year high of 22,282.05, established on April 24, was a strong resistance level.

Sony moved ahead Y40 to Y6,920 on Wednesday's announcement of its consolidated operating profit of Y235bn for the last business year. Domestic financial institutions and overseas investors were also encouraged by the company's earnings outlook.

Other high-technology stocks were mixed in spite of the weaker yen. Hitachi rose Y10 to Y1,100 but Toshiba slipped Y3 to Y799 and Mitsubishi Electric lost Y5 to Y804.

Three of the big four brokers, Yamaichi, Daiwa and Nikko, said after hours yesterday that they had returned to profits in 1995-96. On the session, Nomura, which reported earlier, fell Y30 to Y2,210 and Nikko Securities declined Y10 to Y1,280. Banks were mixed in spite of a favourable outlook on interest rates, with Industrial Bank of Japan down Y30 to Y2,740 and Sakura Bank up Y10 to Y1,170.

Speculative shares were actively traded. Nagasakiya, a supermarket chain, jumped Y100 to Y923 and Dai-ichi Katei Denki, a retail chain for consumer electronics, gained Y100 at Y797.

In Osaka, the OSE average rose 246.86 to 23,596.03 in volume of 71.9m shares.

Roundup

A volatile **BOMBAY** alternated between speculative purchases and sales, and the BSE-30 index posted a high of 3,879.55 before foreign selling took it back to close at 3,823.11, still up 26.82 on the day.

Analysts forecast that the market would continue to see sharp fluctuations until May 31, when the BJP leader, Mr Atal Bihari Vajpayee, must demonstrate that he can muster a majority in parliament.

KARACHI ended below 1,700 on concerns about the formation of a Hindu nationalist government in India. The KSE-100 index fell 36.82 or 2 per cent to 1,698.63. Among the main movers, PTCL lost PRs1.70 at PRs37.60 and Dewan Salman PRs4.50 at PRs56.

HONG KONG consolidated, the Hang Seng index dipping 30.42 to 10,833.41 as turnover shrank to HK$3.1bn. Analysts dismissed as posturing the announcement by China and the US of mutual trade sanctions in their continuing squabble over copyright protection issues. They added that imposition of sanctions had been delayed for 30 days.

Cheung Kong eased 25 cents to HK$53.25, while its Hutchison associate gained 20 cents to HK$47.70 following news that their chairman, Li Ka-shing, had again slightly raised his stake in Hutchison. However, dealers said that they remained baffled about Li's longer term intentions.

TAIPEI moved higher late in the day on buying in the financial sector. The weighted index added 1.52 at 6,096.93, off a session low of 6,074.57. Turnover was T$41bn.

Electronics were stronger as a group, with ASE up by the daily permitted 7 per cent limit to T$49.70. But textiles declined after the US threatened to impose sanctions on Chinese imports.

SINGAPORE saw some demand for index linked stocks, which took the Straits Times Industrial index up 26.39 to 2,347.89, but the broader market was mixed.

Analysts noted that some foreign funds were moving out of Singapore following the plunge in property stocks on the government's tough anti-speculative measures.

KUALA LUMPUR's composite index lost 4.11 to 1,149.98. Malaysian Assurance fell M$1.80 to M$11.10 on concern that a proposed change in insurance rules might result in lower profits.

SEOUL was sharply lower as concerns grew over South Korea's economic slowdown, and the composite index fell 17.21 to 940.96.

Recently neglected, low-priced shares saw some demand. Dong Sung rose Won400 to its upper limit of Won7,100 on expectations of strong earnings this year.

SYDNEY retreated as domestic issues pressured sentiment. The All Ordinaries index shed 14.70 to 2,245.50.

Banking stocks were among the worst performers, the sector index declining by 1 per cent. National Australia Bank lost 6 cents to A$11.56, although it reported a 4.6 per cent increase in after-tax profit for the fiscal first half which ended on March 31. The bank also announced an interim dividend of 43 cents a share.

Crusader, an oil company, jumped 42 cents to A$1.63 after Clyde Petroleum, of the UK, launched a takeover bid, offering A$1.62 a share in cash.

FT-SE Actuaries Share Indices

May 16 — THE EUROPEAN SERIES

Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1682.07	1682.60	1681.64	1681.44	1681.07	1681.67	1681.28	1682.03
FT-SE Eurotrack 200	1726.12	1726.16	1725.64	1725.02	1724.06	1724.02	1724.58	1724.84

	May 15	May 14	May 13	May 10	May 9
FT-SE Eurotrack 100	1682.60	1678.81	1668.58	1657.69	1652.44
FT-SE Eurotrack 200	1729.28	1725.66	1714.81	1712.90	1704.49

Base value 1000 (26/10/90) Highday: 100 - 1683.47; 200 - 1726.15 Lowday: 100 - 1680.75 200 - 1722.97 † Partial.

FT/S&P ACTUARIES WORLD INDICES

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NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	WEDNESDAY MAY 15 1996 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	TUESDAY MAY 14 1996 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (80)	208.24	-0.2	204.05	140.68	166.09	173.02	0.0	4.00	208.75	204.23	139.80	166.78	173.04	212.18	162.66	173.30
Austria (25)	186.08	0.6	182.33	125.69	148.41	148.33	0.4	1.89	184.98	180.98	123.89	147.60	147.73	199.28	166.11	166.36
Belgium (27)	208.31	0.4	204.11	140.70	166.14	161.98	0.1	4.11	207.55	203.05	139.00	165.82	161.74	215.81	186.08	182.84
Brazil (28)	165.29	0.7	161.96	111.64	131.83	302.70	0.5	2.14	164.16	160.60	109.94	131.15	301.16	170.25	123.97	142.01
Canada (98)	163.98	-0.1	160.68	110.76	130.79	162.48	-0.1	2.34	164.22	160.67	109.98	131.21	162.59	164.22	134.14	137.14
Denmark (30)	292.95	0.4	287.04	197.87	233.65	235.93	0.2	1.90	291.89	285.57	195.49	233.21	235.44	305.17	272.15	274.09
Finland (23)	190.09	1.7	186.20	128.35	151.56	186.32	0.8	2.65	186.83	182.79	125.13	149.27	186.77	278.11	171.73	200.01
France (97)	195.56	0.3	191.54	132.10	155.99	159.36	0.2	3.00	195.04	190.82	130.62	155.83	159.09	198.39	167.70	184.10
Germany (60)	167.70	0.5	164.32	113.27	133.75	133.75	0.3	1.86	166.85	163.24	111.74	133.30	133.30	174.38	149.49	150.67
Hong Kong (58)	426.29	0.4	417.70	287.94	339.99	423.43	0.4	3.36	424.74	415.55	284.46	339.35	421.89	451.19	348.81	384.17
Ireland (16)	278.12	0.0	272.51	187.86	221.82	251.08	-0.1	3.31	278.21	272.19	186.32	222.28	251.20	279.02	220.31	223.88
Italy (59)	82.83	-0.4	81.16	55.95	66.06	96.16	-0.6	2.29	83.17	81.37	55.70	66.45	96.69	89.87	67.22	79.15
Japan (481)	158.31	1.6	155.12	106.93	126.26	106.93	2.4	0.71	155.90	152.53	104.41	124.56	104.41	164.88	137.75	153.62
Malaysia (107)	564.12	-0.6	552.74	381.03	449.91	541.41	-0.8	1.62	567.59	555.31	380.15	453.48	545.51	585.09	425.77	515.22
Mexico (18)	1266.21	-0.9	1240.68	855.25	1009.87	10297.21	-0.5	1.37	1278.15	1250.48	856.01	1021.19	10347.52	1313.61	791.99	1038.16
Netherland (19)	295.22	1.1	289.26	199.40	235.45	231.06	0.9	3.11	292.00	285.68	195.56	233.30	228.95	295.22	237.16	241.28
New Zealand (15)	80.25	-0.7	78.63	54.20	64.00	61.96	-0.6	4.31	80.82	79.07	54.12	64.57	62.30	85.49	78.26	82.77
Norway (35)	244.02	-0.4	239.10	164.82	194.62	218.00	-0.5	2.08	245.01	239.70	164.09	195.76	219.19	255.75	215.04	219.52
Singapore (44)	415.95	-2.9	407.57	280.95	331.75	269.89	-2.9	1.41	428.55	419.27	287.01	342.39	277.96	465.21	355.81	398.11
South Africa (45)	364.51	-0.4	357.16	246.20	290.72	344.18	-0.4	2.07	365.87	357.95	245.03	292.31	345.66	437.76	336.91	352.47
Spain (37)	175.47	0.3	171.94	118.52	139.95	170.15	0.2	3.26	174.94	171.16	117.16	139.77	169.86	179.85	141.19	144.37
Sweden (48)	348.66	0.2	341.63	235.50	278.08	348.88	0.0	2.31	348.11	340.58	233.14	278.13	348.75	352.38	230.83	258.23
Switzerland (38)	234.26	-0.2	229.54	158.23	186.84	182.05	-0.1	1.53	234.70	229.62	157.18	187.52	182.30	252.34	184.11	186.05
Thailand (46)	182.10	0.0	178.43	123.00	145.23	178.67	0.0	1.83	182.14	178.20	121.98	145.52	178.64	199.96	148.74	166.58
United Kingdom (201)	231.90	0.2	227.22	156.63	184.95	227.22	0.4	4.04	231.42	226.41	154.99	184.90	226.41	237.43	208.12	209.25
USA (625)	271.27	-0.1	265.80	183.23	216.36	271.27	-0.1	2.17	271.41	265.53	181.77	216.84	271.41	271.41	212.45	216.08
Americas (770)	247.89	-0.1	242.89	167.44	197.71	208.37	-0.1	2.17	248.02	242.65	166.10	198.16	208.47	248.02	195.09	198.08
Europe (715)	208.25	0.3	204.05	140.66	166.09	184.55	0.2	3.02	207.56	203.19	139.09	165.93	184.11	211.35	181.77	183.79
Nordic (136)	297.58	0.3	291.58	201.00	237.34	261.76	0.1	2.26	296.63	290.21	198.66	237.00	261.50	297.60	241.98	245.27
Pacific Basin (832)	171.09	1.2	167.64	115.56	136.46	118.09	1.9	1.14	169.10	165.44	113.25	135.11	115.61	177.01	148.66	163.15
Euro-Pacific (1547)	186.48	0.8	182.70	125.95	148.71	143.29	1.1	2.02	185.07	181.06	123.95	147.86	141.71	190.57	166.61	171.65
North America (724)	264.62	-0.1	259.29	178.73	211.05	263.94	-0.1	2.17	264.75	259.02	177.31	211.53	264.07	264.75	207.89	211.19
Europe Ex. UK (514)	190.23	0.3	186.39	128.49	151.72	159.26	0.2	2.47	189.65	185.54	127.01	151.52	158.97	192.87	163.36	166.82
Pacific Ex. Japan (351)	290.57	-0.4	284.71	196.26	231.74	249.74	-0.3	2.98	291.65	285.33	195.32	233.01	250.55	296.66	243.59	255.45
World Ex. US (1737)	187.75	0.7	183.97	126.82	149.74	147.77	1.0	2.02	186.45	182.42	124.87	148.97	146.25	191.55	167.36	172.37
World Ex. UK (2161)	211.63	0.4	207.36	142.94	168.78	178.83	0.6	1.90	210.80	206.23	141.18	168.42	177.77	212.80	179.23	183.21
World Ex. Japan (1881)	244.22	0.0	239.30	164.96	194.78	232.08	0.0	2.50	244.16	238.87	163.52	195.07	232.03	244.22	201.25	204.19
The World Index (2382)	213.48	0.4	209.19	144.20	170.27	183.33	0.6	2.09	212.69	208.09	142.44	169.93	182.28	214.52	181.82	185.51

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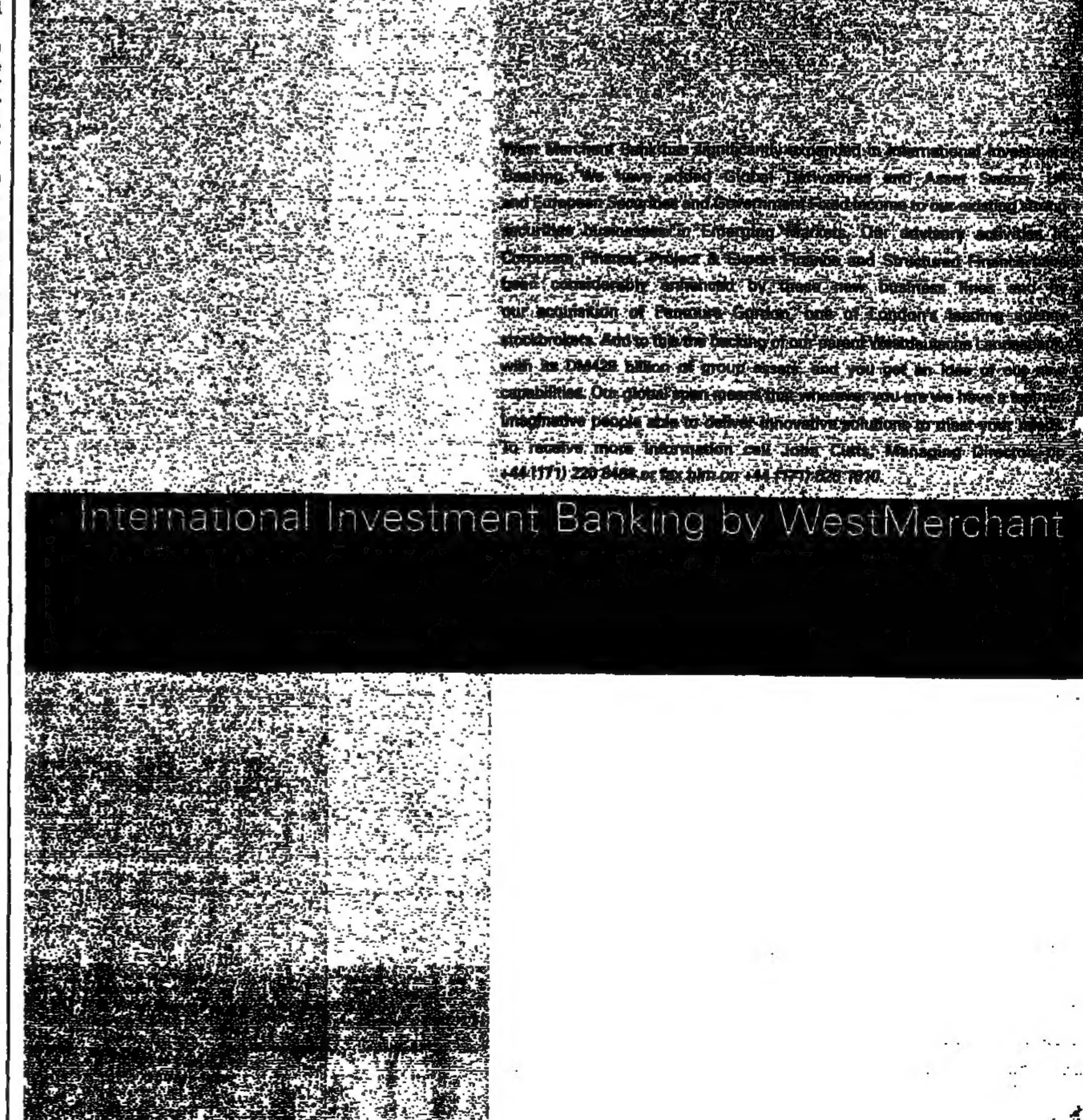

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